U.S. Department of State
FY 2001 Country Commercial Guide: Bulgaria

The Country Commercial Guide for Bulgaria was prepared by U.S. Embassy Sofia and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at the Republic of Bulgaria's commercial environment, using economic, political and market analysis.

Bulgaria is a market that deserves closer attention by U.S companies for its trade and investment potential. Bulgaria has been blessed with and has worked hard to preserve its economic and political stability in the midst of ongoing Balkan turmoil. It has greatly expanded its commercial ties with Western Europe and the United States and is continuing to work hard to attract foreign investment. Over half of Bulgaria's exports currently go to Western Europe, and the United States is currently one of Bulgaria's top foreign investors. A small nation of 8.3 million mostly ethnic Bulgarians located on the Black Sea south of Romania, north of Greece and northwest of Turkey, with FYR Macedonia and Yugoslavia to the west, Bulgaria has aspirations to join the European Union and NATO over the next several years. The Soviet Union's staunchest ally in the Communist bloc until 1989, Bulgaria's current commercial climate is a great contrast to the woes presently facing the Russian Federation.

President Clinton's visit to Sofia in November 1999 heralded the start of a mutually more productive, more rewarding U.S. relationship with Bulgaria — 30,000 cheering Bulgarians on Nevsky Square on a drizzly November afternoon can't all be wrong. The visit was the best evidence that U.S.-Bulgarian relations have never been better. Former Secretary of Commerce William Daley was also in Bulgaria last autumn to host a regional conference of 350 representatives from the six-country Southeastern Europe region, along with 100 U.S. companies. This was the largest and most impressive trade promotion the U.S. Government has ever staged in Bulgaria. It helped to demonstrate that there are business opportunities in Bulgaria and that the U.S. Embassy and Commercial Service in Sofia are prepared to follow up and assist those companies new to Bulgaria to get established.

Bulgaria has followed a sure path towards a market economy since Prime Minister Ivan Kostov of the Union of Democratic Forces (UDF) took office in April 1997. The change to the present government followed street demonstrations in Sofia, seen throughout the world on television in January 1997, against several years of disastrous rule of the Communist-successor Bulgarian Socialist Party. Since 1997 the severe economic hardship for the Bulgarian people has greatly eased as the lev stabilized and inflation was tamed. Confidence in the banking system is starting to return with very credible and well-endowed corporate banks coming on the scene. The Gross Domestic Product (GDP) reached $12,392 million in 1999 and real GDP grew by 2.4 percent. Official statistics under-report economic activity, with an unofficial market representing an additional 20 to 30 percent of the official GDP.

Bulgaria has a leading role to play in regional economic and infrastructure integration: more efficient border crossing stations to promote regional trade, European Corridor 8 road transport links, rail links, and a number of energy and telecommunications projects will keep Bulgaria and some of its neighbors unrelentingly busy improving the overall image and economic prosperity of Southeast Europe. Unfortunately, should the Serbian government remain immune to democratic change and economic reform, its leadership will continue to be an impediment to the potentially rapid growth of both prosperity and stability that the region deserves.

The government's campaign against crime and corruption can also enhance Bulgaria's ability to perform on the world's commercial. Bulgaria was the first non-OECD nation to ratify the Anti-Bribery Convention. Additional market-oriented changes have been made to the laws governing foreign investment, taxation and land ownership by international investors.

Transparency in general has improved and recent developments have shown the Bulgarians to be rededicated to encouraging the highest standards of ethical business practices. The Bulgarian government needs to diminish the role that bureaucratic delays and corruption have had in stifling foreign direct investment.

A lot of work remains to be done. A large part of the responsibility belongs to the Bulgarian government to make the business climate of the country as desirable as possible. The judicial system must always follow the rule of law and be immune to inappropriate influence. Rooting out corruption is essential, and an ongoing task.

The pace of privatization of thousands of state-owned enterprises, from the very largest to hotels and resorts, must continue, since privatization is the only practical way for Bulgaria to restructure its economy, create new jobs, and introduce new technology. Privatization is also crucial to efforts to attract foreign investment, halt the slide in production and increase exports to generate revenue to support needed imports. The Kostov government has also recognized the importance of small and medium sized enterprises in creating jobs.

Bulgaria is still a poor country with average per capita income estimated at under $1,500 per year. While this limits consumer purchasing power for relatively expensive U.S. products, Bulgaria's work force offers attractions to manufacturing investors for its good education, especially in engineering and foreign-language ability.

With the improved economic climate, a wide variety of products of all types can now be found in Sofia's increasing numbers of shops, and the Bulgarian government and some large state-owned enterprises can finance priority imports by themselves. Bulgaria has an active trade show calendar attracting exhibitors from all over the world. Bulgaria is moving forward on $2 billion in transport and environmental remediation projects. Nonetheless, international financing of major infrastructure projects remains essential, and Bulgaria is still very dependent on financing from multilateral banks and other non-Bulgarian sources. Financing from the Export-Import Bank of the United States (Eximbank) is now available to finance certain U.S. exports to both state-owned and private Bulgarian enterprises. A recent agreement to finance a nuclear safety upgrade involving Westinghouse Electric and Citibank represents the first Eximbank project in Bulgaria in more than thirty years.

The Stability Pact, a comprehensive regional plan for economic development, democratization and security, will lead to new and expanded trade and investment opportunities in Bulgaria over the long term. The U.S. Government vigorously supports efforts to bring Stability Pact benefits to Bulgaria.

Despite the current international situation, many American high technology, industrial, and consumer products whose only substantial competition is European do offer significant price and quality advantages and enjoy good markets in Bulgaria. U.S. technology and know-how are widely respected and financing very much needed. The price, quality, technological leadership and reputations of U.S. companies are often viewed in Bulgaria as effective counterweights to pressure from European Union (EU) companies to "buy European."

The industry sectors with the best prospects for U.S. firms include electrical power generation equipment, telecommunications equipment and services, computers, software and information technology, airport and ground support equipment, automotive parts and service equipment, agricultural equipment and building materials.

Market access for U.S. companies is improving, but Bulgaria is not yet an easy place to do business. There are several business conglomerates with suspect origins and business practices that wield considerable influence in the Bulgarian economy and which the GOB is trying to limit. Bureaucratic delays due to ministry reorganization, replacement of senior officials and enterprise advisory boards dictate the need for good relationship building and patience. Tenders occasionally get bogged down for lack of clarity in the rules or even-handed enforcement, but transparency in general has improved. However, international investors are less subject to pressures such as bureaucratic delays or corruption than Bulgarian companies.

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II. ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

1. A Stable Economy

The ruling Union of Democratic Forces (UDF) Government has made a clean break with the failed policies of the early and mid-1990s. In this, the Bulgarian Government received the backing of international financial institutions, and committed itself to sound financial and structural policies as the only way out of crisis.

Since July 1997 the Bulgarian government has been operating under a currency board arrangement (CBA). Until December 31, 1998 the Bulgarian lev (BGL) was tied to the German mark (DM) at a rate of BGL 1000 to one mark. Since January 1, 1999, the lev has been fixed to the euro at an exchange rate of 1,955.83 levs to one euro. On July 5, 1999, the lev was redenominated, with BGL 1,000 replaced by one new lev. Thus BGN 1.00 equals DM 1.00. The Currency Board requires the Bulgarian National Bank (BNB) to hold sufficient foreign currency reserves to cover all the levs in circulation including the lev reserves of the banking system; the BNB can only refinance commercial banks in the event of systemic risk to the banking system; and the government is limited in taking on new financial liabilities or providing sovereign guarantees.

Thanks to the CBA and its associated IMF program, inflation has been cut from nearly 600 percent in 1997 to only 6.2 percent in 1999. Official reserves rebounded from $400 million in January 1997 to $3,412 million at the end of 1999. Moody's Investors Service upgraded Bulgaria's credit rating to B2, while Standard & Poor's raised Bulgaria's long-term foreign currency credit rating to B+ with a positive outlook from B. Foreign investment, including participation by American investors, has also revived as macroeconomic stabilization and a friendlier business climate have taken hold. The closure of 18 troubled banks has also helped to increase confidence in the banking system. Following declines in GDP in both 1996 and 1997, GDP increased from $10,200 million in 1997 to $12,257 million in 1998, and to $ 12,392 million in 1999; in 1998 and 1999, real GDP grew by 3.5 percent and 2.4 percent, respectively. Official statistics underreport economic activity, with an unofficial market representing an additional 20 to 30 percent of the official GDP. This implies that disposable consumer income is higher than what is officially reported.

The UDF Government has made considerable progress in privatizing state-owned enterprises (SOEs). As of the end of 1999, about 71 percent of state-owned assets destined for privatization had actually been sold. The private sector contributed 48 percent of GDP in 1995, 52 percent in 1996, 59 percent in 1997, and 64 - 65 percent in 1998 and 1999; it should increase further with continuing privatization.

Unemployment increased to 19 percent in April 2000, but it is projected to decline to 13.5 percent by the end of 2000. The increase in unemployment was due to substantial layoffs at the large state-owned industrial enterprises under restructuring and liquidation. The GOB hopes to open about 250,000 new jobs by April 2001 through implementation of its public investment and employment programs. The Kostov government recognizes the importance of small and medium enterprises, which were virtually ignored by the previous Socialist government, for their ability to create jobs. The average wage of approximately $110 per month is one of the attractions for foreign investors interested in production in Bulgaria.

2. Near-term Outlook

With resumed growth prospects in the EU area, the IMF and the Government of Bulgaria envision a scenario of strong growth of 4 to 5 percent annually and single-digit inflation over the next several years. The Currency Board will help provide fiscal discipline, while balance of payments support from international donors will help Bulgaria fund transitional costs of economic reform and public investment. The GOB sees infrastructure investments as an engine of growth over the next several years. Between 2000 – 2001, the government plans to allocate approximately $807 million of the consolidated budget for public investment projects. The GOB also seeks to stimulate higher private investment and ultimately higher economic growth through a range of tax cuts negotiated with the IMF. Taxes on corporate profits and personal income and mandatory social insurance contributions are to be reduced in 2001.

The main impediments to medium-term economic prospects include excessive administrative requirements for entrepreneurs, lack of transparency in government economic and commercial decisions, and the potential for regional instability. Recent business surveys indicate that licensing and administrative requirements impose a heavy burden on the private sector, particularly small businesses. The government has completed a review of these regimes and has eliminated about 100 of these requirements in 2000.

Although the Bulgarian government has achieved some successes in the fight against organized crime and corruption, many observers believe that corruption and political influence in business decisionmaking continue to be significant problems in Bulgaria's investment climate. The problems range from the demand for petty bribes for government licenses and permits to nontransparent privatizations of major state enterprises. With regard to privatization, the government has relied heavily on controversial management-employee buyouts for smaller enterprises, and on use of foreign consultants to privatize pools of medium and large companies. The privatization framework has also included complex criteria for selecting buyers that has generated concerns about transparency and corruption. As a result, ownership transfer has been delayed and, in some cases, has provoked litigation. In the banking sector, privatization has proceeded with fewer problems. All banks except the State Savings Bank have either been sold or are well on their way to being privatized. The privatization process is slated to come to a close in 2000 with the sale of several large companies, notably the Bulgarian Telecommunications Company, Bulgartabak and Balkankar.

The potential for further instability in the region also poses challenges. In the aftermath of the Kosovo conflict, Bulgaria's principal trade and transport routes to Western and Central Europe, which pass through Serbia, have been seriously disrupted. The governments of the United States, the European Union and Southeast Europe have committed to a Stability Pact aimed at developing prosperity and stability throughout the region. In the Stability Pact context, international donors have pledged to assist Bulgaria in completing a series of priority infrastructure projects, including a second Danube bridge, Danube River ports modernization and a major upgrade of Sofia Airport. Under its Southeast Europe Initiative, the U.S. Government is encouraging greater American trade and investment in Bulgaria. The Overseas Private Investment Corporation (OPIC) provides financing and political risk insurance for projects in the country and has established a regional investment fund. The U.S. Government has also proposed legislation which would grant unilateral trade preferences to Bulgaria and other Southeast European countries.

The United States has also facilitated direct dialogue between governments in the region through the Southeast Europe Cooperation Initiative (SECI) on a range of issues. SECI is helping to reduce trade and transport barriers and has given the impetus to a regional anti-crime center, among other activities. The South Balkan Development Initiative (SBDI) has investment $30 million in developing transport links between Albania, Macedonia and Bulgaria.

As a relatively small market in the Balkans, Bulgaria will have to make extra efforts to attract investors—by improving transparency, for example—as well as by more fully marketing its many advantages, including a highly skilled, low cost labor force and proximity to both European and Near Eastern markets.

B. Principal Growth Sectors

The service sector of the economy, which generates approximately 56 percent of Bulgaria's gross domestic product (GDP), continues to experience the highest growth. Most private sector activity involves some form of trade or retail. A small percentage of new companies are involved in manufacturing. Private sector growth is greatest in construction; the food sector (meat, dairy, bread); maintenance and repair of electronic tools/equipment, household appliances and automobiles; financial services such as insurance and lending; some health care services and tourism.

Much of Bulgaria's earlier economic strength was in heavy industry, powered, until the mid-1990's, by subsidized energy from the former Soviet Union. State-owned chemical, petrochemical and metallurgical plants have been privatized, but whether they can compete effectively in a wider international market remains to be seen. Over the next few years there may well be more growth in light industry, led by electronics, textiles and food processing.

Bulgaria was formerly renowned for agricultural output, but the sector now accounts for just 17 percent of GDP and employs a fifth of the population. Restitution of land to private owners has been complicated. Many private holdings are small and can only be serviced with decent equipment or irrigated adequately if the owners band together in some form of cooperative. Such efforts are slowly underway. A shortage of fodder has led to distress slaughtering, raising questions about the adequacy of herds to feed the domestic population. The good news is that price liberalization should encourage more output, especially as discretionary income gradually rises.

Agriculture has the potential to make Bulgaria basically self-sufficient in grains (wheat, corn and barley) but will require animal protein feed such as soybean meal for the foreseeable future. When the livestock sector recovers, genetic material and animal feed ration components, perhaps including corn, will also need to be imported. Prospects are excellent for further increases in hard currency earnings for wine and cheese.

C. Government Role in the Economy

The state's presence remains sizeable in Bulgaria's economy. As of December 1999 about 47 percent of state enterprises have been privatized, and the public sector occupies 35 percent of GDP. In 1998, 1,090 enterprises or parts of enterprises were privatized for $985 million, while in 1999, 1,224 enterprises or parts of enterprises were privatized for $2.518 billion.

Priority sectors for privatization are: tourism, food processing, agriculture, heavy industry and engineering, textiles, and construction/building materials.

The government's aim is to privatize all state-owned firms except for the public utilities and a small number of strategic enterprises. These include Bulgarian State Railways, Bulgarian Posts, Education & Sciences, El Bi Bulgarikum (producer of yogurt bacteria), National Cadastral Company, National Geodesy Company, Geopribor (geological equipment), Cartography Company, Geozashtita (geological protection), and Vodokanalenzhenir (water pipe engineering). Legislation mandates that the state retain at least a 51 percent interest in certain enumerated companies: the Ruse and Varna merchant and passenger marine fleets; major airports; the ports of Burgas, Lom, Varna and Ruse; Varna's aquatic ecological company; Transtroy road/rail/port construction company; and highway construction companies.

The GOB's privatization program is being implemented in three ways: capital market offerings, mass privatization, and cash privatization. The offerings on the capital market are small. In the mass privatization program on the Czech model, all Bulgarian citizens and company employees are eligible to receive free vouchers for company shares or shares in privatization funds. The Council of Ministers approved a list of 1,050 companies slated for mass privatization in industry, agriculture/food-processing, transport, construction, tourism, trade, energy and culture. The second wave of the mass privatization program began in January 1999 based on a scheme that allows a wider range of participants and different means of payment and does not set a minimum price per share. Share prices are weighted against the average of all bids offered at centralized public auctions. According to the new scheme, there is no fixed number of enterprises to be privatized, but at least 5% of each state-owned enterprise should be offered for mass privatization. At the first centralized public auction, the government offered shares of 31 companies worth approximately $120,000.

Third, and most significant for potential foreign investors, is the cash privatization program, in which investors, including foreign investors, may negotiate to buy smaller state enterprises from government ministries and larger ones from the Privatization Agency, and municipally owned enterprises from the respective municipality. The Privatization Agency has in many cases hired foreign consulting firms to analyze the value of and to market important state enterprises. While the GOB's cash privatization program offers some excellent opportunities, the process has been criticized as slow, cumbersome, and challenging for foreign as well as Bulgarian investors.

Some potential investors have expressed their frustration at a lack of transparency in the process, while others are unhappy with inflexible procedural decisions that lack a commercial justification. To stimulate investor interest, the Privatization Agency has encouraged the use of Brady bonds (debt-for-equity swaps) in the privatization process. These have been used in the purchase of a major hotel and two beer breweries. Only Discount Bonds (DSCs) and Front Loaded Interest Reduction Bonds (FLIRBs) may be used in the privatization of state, as opposed to municipal, assets. Bulgarian bad debt bonds (ZUNKs) also may be used as a payment instrument in the privatization process. ZUNKs can be purchased on the local market at a 30-35 percent discount and are an acceptable form of payment for privatization deals at a 40 percent premium on face value.

The 2000 budget is based on the GOB's three-year macroeconomic framework agreed with the IMF, which envisages a general government deficit of up to 1.4percentpercent of GDP with budgetary revenues and expenditures of 36.6percentpercent of GDP and 38percent of GDP, respectively. Budgetary priorities include successful implementation of the social-insurance and health-care reforms which will incur additional government expenditures of 0.6percent of GDP, a 10percent increase of the average civil servants' wage, contingency expenditures of 0.8percent of GDP in case costs of reforms exceed original estimates, and margins to allow a tightening of the fiscal stance if needed.

D. Balance of Payments Situation

Bulgaria's balance of payments situation is currently stable. According to the Bulgarian National Bank, Bulgaria's current account deficit was $659 million or 5.4percent of GDP and the trade deficit reached $1.064 billion or 8.7percent of GDP in 1999. As of December 1999, external debt was $9,989 million, while foreign reserves were $3,412 million. Fiscal discipline and limited growth of real wages should limit future current account deficits. In 1999, the higher current account deficit was completely financed by foreign direct investment of $770.4 million and additional financing from the International Financial Institutions. The United States has pledged $25 million to Bulgaria for balance of payments support. Bulgaria's currency board arrangement, supported by its three-year agreement with the IMF and sound macro-economic policies, provide for a stable balance of payments for the foreseeable future. In the opinion of one major American brokerage firm, Bulgaria's external debt is high but not out of proportion to that of other emerging markets.

E. Infrastructure

1. Telecommunications

Bulgaria has the highest penetration of telephone service in Eastern Europe, with 39.34 telephones per 100 persons. Bulgaria's telecommunications network is owned by the Bulgarian Telecommunications Company (BTC), which in turn is regulated by the newly created Ministry of Transport and Communications. Over 95 percent of Bulgaria's telephone subscribers can make automatic domestic long-distance calls. As of January 1, 2000 BTC had a total of 3,254,742 telephone subscriber lines—2,394,118 residential subscriber lines, and 860,624 business subscriber lines. Eighty five percent of the residential subscribers and 70% of the business subscribers use analog lines while only 30% of the business subscribers have digital subscriber lines. Central Sofia, the location of most U.S. firms, already has largely moved to seven-digit digitally-switched lines offering direct-dial access to the United States. In 1999 140,000 new subscriber lines were installed. The BTC network is directly connected to over 45 telecommunication operators. Regional connection is digital transmission over optical cables. More distant countries such as the United States, Canada, Japan, and China are connected over international satellite systems.

BTC's main objective in its telecommunications network development is its technological upgrade through new digital switching and transmission infrastructure. BTC's middle-term priorities for the period until its monopoly over the fixed network expires in 2002 are in the area of the telecommunications network technological modernization. These priorities include: building up the digital transit network; continuation of digitalization; speeding up of the implementation of modern telecommunications and information services including ISDN; and accelerated extension of the subscriber access network including broadband. The execution of these priorities will significantly increase BTC competitiveness before the liberalization of the telecommunications market after January 1, 2003.

The U.S. Trade and Development Agency has granted funds to BTC for a feasibility study for improvements in rural telephony through the use of wireless local loop technology.

Bulgaria has an analog cellular telephone network (450MHz) operated by Radio Telecommunications (Mobifon), a joint venture between Cable & Wireless (49 percent), Bulgarian Telecommunication Company(BTC) (39 percent) and Radio Electronic Systems (12 percent). Bulgaria has one digital cellular telephone network operated by the Bulgarian company Mobiltel which uses the Pan-European digital GSM standard (900 MHZ). Radio TELECOM/Mobifon operates one of two national paging systems. The second system is operated by Link Communication Systems of the United States using Motorola technology.

Bulgaria has a large number of very small, unregulated Internet service providers. Current dial-up access speeds over regular lines generally offer a reliable connection up to only 33,600 bps. In 1999 BTC introduced ISDN, which is a new service for the Bulgarian market. ISDN has been mostly used for Internet connectivity. Currently ISDN is available in the main cities in Bulgaria, where there is the highest concentration of businesses. Over 40% of the Internet access provided in Bulgaria is effected through the BTC Internet network.

After terminating, on July 31 2000, the 18 months of negotiations with the Greek-Dutch consortium OTE/KPN, the only bidder, for privatization of 51 percent of the Bulgarian Telecommunications Company (BTC), the Government of Bulgaria has decided to change the privatization strategy of BTC and to sell the second GSM license separately from BTC. The second GSM operator is expected to introduce highly needed competition on the mobile market, which through increase of quality and decrease of prices will increase subscribers and will make the service more accessible to end-users.

The Ministry of Transport and Communications is exploring various options for privatizing BTC before its monopoly ends. One option is to bundle the sale with a third GSM mobile phone operator. To facilitate the BTC privatization, and to improve the regulatory environment for telecommunications, the Committee on Posts and Telecommunications (the supervisory agency of the GOB over BTC) drafted a new Telecommunications Law to replace the old Communist-era 1975 law. The new law went into effect on January 1, 1999.

Bulgaria's broadcast and cable media are also expanding. Additional radio and television licenses are being granted for nationwide coverage, and U.S. companies are investing in cable television. Companies such as Fox TV, through its subsidiary Balkan News, and Home Box Office are also aggressively entering Bulgaria's market for content-driven programming.

2. Road Transport

The Ministry of Transport and Communications oversees the transport sector as a whole. The road network is administered by the "Roads" Executive Agency (former General Road Administration)which falls under the Ministry of Regional Development and Public Works portfolio. There are 37,000 kilometers (km) of roads in Bulgaria, although only 250 km are four-lane high-ways—and most of that are the 160 km between Sofia and Plovdiv. Regionally, only Romania has a lower road density than Bulgaria.

Roads in Bulgaria are not up to U.S. standards. Streets in Sofia are frequently made of old cobblestones, and potholes are common on main streets and side streets. There is much unmarked road work on inter-city roads. The U.S. Embassy in Sofia recommends against driving Bulgaria's roads at night.

Sofia Municipality has undertaken an ambitious program for reconstruction of the main city rings and restructuring and repavement of the main feeder routes from the most populated living areas. This is aimed at developing not only a better road superstructure but also road substructure. Financing for the project to improve the city's main thoroughfares and rings amounts to $77 million, and the main source of funding is the Eurobond issue proceeds.

Just one bridge, at Ruse, spans the Danube between Bulgaria and Romania. The Kosovo situation and other political troubles involving Serbia have made the shorter route to Western Europe across the Bulgaria-Serbia border problematic, resulting in greater traffic between Bulgaria and Hungary via Romania and requiring a ferry crossing at Vidin. On February 7, 2000 in Brussels an agreement was signed between Romanian Minister of Transport Basescu and Bulgarian Finance Minister Radev on the construction of a second bridge across the Danube. On February 23, 2000 an Expert Paper was drawn up by the Expert Groups of the Governments of Bulgaria and Romania on the exact location of this bridge — along the Southern part of the Pan European Transport Corridor IV between Bulgaria and Romania, in accordance with the Transport Infrastructure Needs Assessment (TINA) Project Final Report of October 1999. Following these preparatory steps, on March 27, 2000 a Declaration by the Governments of Bulgaria and Romania on the construction of a bridge over the Danube at Vidin-Calafat was signed by the Prime Ministers of the two countries.

Bulgaria currently has two border crossings with Turkey. Given steadily improving relations between the two countries, the Bulgarian Government has requested the reopening of a third crossing, which is likely to be favorably considered by Turkey. Three new border crossings will also be opened with Greece west of the current crossing at Kulata. Bulgaria, Greece, and Turkey are actively working to improve the border crossing conditions and to alleviate bottlenecks through the Southeast Europe Cooperation Initiative (SECI). In collaboration with SECI, the World Bank has prepared the Trade and Transport Facilitation in Southeast Europe Project (TTFSE) to help six countries in the region to improve border crossing infrastructure and alleviate border crossing bottle necks. The Bulgarian Government received a $7.4 million World Bank loan for implementation of the TTSFE project and $1.5 from the U.S. Government. $3.7 million will be funded from the state budget.

Bulgaria has many highway projects underway, including portions of the Trans-European Motorway (TEM). These include routes connecting Budapest with Athens via Vidin and Sofia and with Istanbul via eastern Bulgaria. The European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), the European Union's PHARE program, and the Bulgarian Government's budget are the main sources for financing improvements in the road network. Completion, modernization, and overhaul of different portions of the Trakia, Cherno More and Hemus motorways will be given out on concessions. The Plovdiv-Burgas highway section is expected to cost $500 million, while the Burgas–Varna section is expected to cost $300 million. There are also plans for a north-south road tunnel under Shipka Mountain estimated at $120 million.

The U.S. Trade and Development Agency has provided a number of grants to Bulgaria, as well as to the Former Yugoslav Republic of (FYR) Macedonia and Albania, for feasibility studies and for basic maintenance equipment to improve the regional road infrastructure, mostly under the South Balkan Development Initiative (SBDI). SBDI is a $30 million, multi-year program launched by President Clinton in February 1995 and managed by TDA. It gives U.S. companies an excellent opportunity to participate in the planning of transportation infrastructure development in Bulgaria. One major ongoing TDA grant is for a feasibility study for a Sofia Southern Bypass road to enable traffic from eastern Bulgaria and Istanbul bound for Greece and FYR Macedonia to bypass Sofia.

3. Railways

The Bulgarian Railway Company (BDZ) oversees Bulgaria's railway system. The railway infrastructure consists of 4,300 km of track. An estimated 61 percent is electrified (25 Kv, 50 Hz).

Failure to perform routine maintenance combined with the inability to purchase new equipment has resulted in a rapid and noticeable deterioration of the installed infrastructure. For example, an estimated 10,000 switches are worn. Nearly 85 percent of BDZ's maintenance equipment is obsolete. BDZ also requires new signaling equipment, aerial wires, communications system, and radio equipment.

The Bulgarian Government has a railway restructuring project which focuses on the repair of 414 km of main tracks, construction of an automated locomotive system, procurement of new railcars and repair of existing stock, and improvement of information and technical services. Bulgaria has received funds from the World Bank, EBRD, and EU-PHARE totaling $158 million, with the government contributing an additional $133 million.

Bulgaria also plans to complete a two-kilometer link with FYR Macedonia and to upgrade and electrify 80 kilometers of track between Sofia and the Macedonian border. This linkage is integral to the formation of the European East-West Balkan Transport Corridor No. 8, which is endorsed by the Governments of Bulgaria, FYR Macedonia and Albania, as well as by European Transport Ministries. Bechtel prepared a comprehensive feasibility study of this corridor's economic competitiveness in the region for TDA under SBDI. The Sofia-Skopje rail link is expected to require $180 million.

The Bulgarian State Railway Company (BDZ) plans the electrification of 200 kilometers of existing rail track on the road to Turkey between Plovdiv and Svilengrad. Along with electrification, the track needs communications lines and rail safety equipment.

One of the main concerns of BDZ is commercialization of its activities through outsourcing and attracting private operators. The U.S. Trade and Development Agency's Southeast Balkan Development Initiative (SBDI) funded a research study to provide ideas and options for BDZ.

4. Ports

Bulgaria has two major ports on the Black Sea, Varna and Burgas. Both act as East-West transport corridor gateways of Bulgaria. Port facilities are generally adequate for bulk commodities, but lack facilities for special handling. Rehabilitation of both ports is planned.

Bulgaria has plans for a $300 million expansion of Burgas Harbor, to include new ro-ro, ferry, container terminals, and new facilities for general and bulk cargo. The Japan Fund for Reconstruction and Development provided a $120 million 30-year 2.58 percent interest loan with a ten-year grace period to the Bulgarian Ministry of Transport and Communications for construction of a new container terminal at Burgas. They also initiated a project to improve the breakwater facility in the port of Burgas. The U.S. Trade and Development Agency has also provided $300,000 for a feasibility study of a intermodal cargo terminal for the port of Burgas.

The EBRD has provided technical assistance to Varna for its master plan preparation and assistance concerning its container and grain handling facilities. The Varna port master plan envisages for six new terminals to be built by 2005—for general cargo, container terminal, metals, fertilizers, grain and petroleum products. The terminal for chemicals is already built and was developed in cooperation with the German Oil Tanking (with foreign investment of DEM 93 million). The port management announced officially another strategic partnership for registration of a joint-venture company for a cement terminal with the new owner of Devnja Cement, the Italian Italchimente. The policy of Varna port management is to structure strategic partnerships with companies which have cargo traffic to, from and via Varna port.

Ruse, a Danube port, is also commissioning a feasibility study on development of its port facilities.

Intermodal transportation is a new approach for Bulgaria. It provides freight forwarding and route alternatives. With joint efforts, Sea Land Services, Inc.(USA), U.S. Trade and Development Agency and the Bulgarian Ministry of Transport and Communications recently completed two feasibility studies to establish a rail-truck intermodal terminal to handle ocean containers in Sofia and Burgas.

5. Air Transport

There are three international and seven domestic airports in Bulgaria. Sofia Airport is the largest in the country and handles most international traffic. All are owned by the central government but are required to operate independently on commercial principles.

a. Sofia Airport

Sofia Airport, with a terminal and other infrastructure dating from 1940, is in need of massive modernization. Plans call for a completely new passenger terminal, longer runway, and expanded taxiways. This $200 million project is starting to come into focus as financing has become available, and a detailed master plan has been prepared as part of the Sofia Regional Development Plan.

Current reconstruction plans are for the new terminal to have a capacity of 2.5 million passengers/year (2,500 passengers/hour at peak hours), a floor area of 26,000 square meters, new aprons covering 38,000 square meters, and road access and parking lots covering 18,000 square meters.

The current single 2,800-meter runway will be extended 540 meters to the east to a total length of 3,340 meters and completely resurfaced with specifications of 45 x 3600 cm and PCN 90, together with additional taxiways covering 20,000 square meters.

In March 1998 the Government of Bulgaria approved a financial agreement with the European Investment Bank (EIB) for a ECU 60 million loan for development planning for the expansion of Sofia airport, design and construction of a new passenger terminal building, and extension of the existing runway. Technical assistance to be provided by the financial agreement includes completion of the airport master plan, planning and supervision of the project implementation, and operation and financial management of the airport.

In August 1998, the Government of Bulgaria approved a $40 million loan from the Kuwait Development Fund for additional financing for extension and resurfacing of the existing runway, construction of a new parallel runway and additional taxiways.

The Ministry of Transport and Communications negotiated additional project funding of ECU 60 million from the European Union ISPA (Instrument for Structural Polices for Pre-Accession) program. These funds have procurement restrictions limiting bidders to European-based companies.

b. Sofia Airport Cargo Terminal Construction

The Sofia airport master plan envisages extension of the existing cargo terminal and construction of a new one. The preliminary terms of reference for the Sofia airport cargo terminal project comprise of two phases. The first phase is a feasibility study of the project and construction of a new cargo terminal to handle approximately 25,000 tons of cargo annually. The second phase is completion of the construction of the cargo terminal to increase the capacity with another 25,000 tons annually. The total capacity of the new cargo terminal is estimated at approximately 50,000 tons annually. Estimated value of the project is $35 million. Ministry of Transport and Communications and Sofia Airport management plans to look for a strategic partner, joint-venture partner and/or other alternatives of financing this project on concession and/or BOT/BOO basis.

c. Burgas Airport Modernization

A pre-feasibility study for modernization of Burgas Airport has been performed which includes a new cargo terminal and modernization of the runway areas, the passenger terminal and other airport facilities. The airport upgrade project has an estimated cost of $60 million.

d. Varna Airport Modernization

The Varna Airport master plan provides for extension of the runway, a new cargo terminal, modernization and extension of the international departure lounges, construction of safety side strips for taxiways, construction of an apron for cargo aircraft and safety side strips of taxiways. The modernization of the Varna airport also includes upgrading its radar equipment. The Varna airport reconstruction and modernization project will have an estimated cost of $100 million.

e. National Air Traffic Service Center Phase III

In 1997, the Government of Bulgaria ratified a financial agreement with the European Investment Bank for a loan of 60 million ECU for construction of a new air traffic control tower in Sofia under the authority of the Air Traffic Services Authority. The National Air Traffic Service Center will control all air traffic over Bulgarian air space, both civilian and military. The tender has been split into three phases. Phase One consisted of construction of the new tower, which was completed in December 1997. Phase Two consists of additional construction and installation of basic utilities. The winning bidder was Glavbolgarstroy, a Bulgarian company. Phase Three with an estimated cost of 30 million ECU consists of the procurement of radar and navigation aid equipment for the needs of the civil and military authorities which will operate the new air traffic control center. All three phases are in implementation stage.

f. Balkan Bulgarian Airlines

The national air carrier Balkan Bulgarian Airlines (BBA) flies to many destinations from Sofia with a fleet of aging Russian planes and leased Boeings. The airline wants to completely revamp its current fleet by purchasing modern Western aircraft, but the Bulgarian government is prevented by its IMF agreement from providing any sovereign guarantees to Balkan, due to Balkan's weak financial situation.

The new owner of Balkan Airlines is the Israeli Zeevi Group. The new owner will invest $100 million over the next five years and plans to repay $30 million of Balkan's accumulated debt. Balkan Airlines management established a joint-venture company with the Israeli firms Aviation Industry and Badek for maintenance and repair of airplanes in Sofia.

6. Water Systems

The Bulgarian waterworks system is suffering massive leaks from aged asbestos concrete water pipes that will require a complete overhaul. The first upgrade project will take place in Sofia and will be financed by the European Bank for Reconstruction and Development. International Water Ltd., an affiliate of Bechtel, won the tender to upgrade Sofia's water pipes and in December 1999 signed a concession contract with the municipality of Sofia. The company will be given 49 percent ownership of the Sofia Water and Sewage Company as a concession. Conservative estimates put the amount of investment needed just for the reconstruction and upgrading of the Sofia Water and Sewage Company at $150 million. Reconstruction and upgrading of the waterworks systems in Varna, Shumen and other Bulgarian cities will follow.

7. Electric Power

Bulgaria's electrical generation capacity consists of nuclear, fossil fuel (thermal), and hydropower facilities. The nuclear power station at Kozloduy, on the Danube River, currently supplies 44.6 percent of Bulgaria's power. The older units, 1 through 4, pose a safety concern due to lack of a containment system. The Bulgarian government is reluctant to decommission those Soviet design reactors, however, until alternative power sources are developed. An upgrade of the controls for the newer units 5 and 6 will be carried out under a $77 million plus contract between the National Electric Company (NEK) and Westinghouse Electric Company of the United States with a credit guarantee from Eximbank. The $77 million credit agreement was signed between CITIBANK and the State Energy and Energy Resources Agency on July 10, 2000.

Among the larger coal-fired plants is Maritza East 1, which will be replaced by a new $750 million plant to be built, owned and operated by the U.S.-owned AES, and Maritza East 3, which will be upgraded by U.S. utility Entergy for approximately $425 million. It is expected that some of the electricity generated at Maritza East 3 will be exported to Turkey under a ten-year export agreement, to meet rising demand in Turkey.

The other major thermal power plant in Bulgaria is the 1260MW in Varna. The challenge there is to upgrade and adapt the plant to use non-Ukrainian coal, which has proven harder to obtain in recent years. A number of foreign companies have expressed interest in this project and a second tender is expected to be opened by NEK very soon.

The Trade and Development Agency funded a feasibility study for the Trans-Balkan Pipeline, determining the potential for an oil pipeline to carry Caspian Sea oil from Burgas in Bulgaria to the Albanian port of Vlore on the Adriatic Sea which will lead to future opportunities for construction and engineering firms as well as for suppliers of oil pipeline equipment to Bulgaria.

8. Oil and Gas Pipelines

While Bulgaria currently has no oil pipelines, there are big plans to develop new cross-border pipelines to connect Bulgaria with FYROM (Macedonia) and/or with Greece, both to originate at the Lukoil/Neftochim oil refinery in Burgas, one of the largest refineries on the Balkan peninsula. One plan is being sponsored by the U.S.-based AMBO company to build a pipeline from Burgas west across Bulgaria, FYROM and Albania to the Adriatic port of Vlore. This could facilitate export to North America and Northeast Europe of Caspian Sea oil carried in tankers across the Black Sea to Burgas. The second pipeline would connect Burgas with the Greek Aegean port of Alexandroupolis. Reportedly, this pipeline is a priority project for Russia (LukOil, Yukos and Gazprom), Greece and the European Union.

The estimated cost for the construction of the 312-kilometer pipeline to funnel Russian oil from Burgas to Alexandroupolis will be $700-800 million. The estimated cost for the construction of the 900 - kilometer AMBO pipeline via Macedonia and Albania will be $1.1 billion. Feasibility studies on both projects were completed in the summer of 2000.

While oil pipelines are likely in Bulgaria's future, Bulgaria already has a 2,200-kilometer gas pipeline network operated by the state-owned company Bulgargas to carry Russian gas supplied by Gazprom throughout the country, with connections from Romania and to Greece and Turkey. Domestic gas consumption in 1998 was estimated to have been 4.4 billion cubic meters. Since 1975 the pipeline has been owned, operated and maintained by the large state-owned gas utility Bulgargas EAD. The gas firm has a monopoly over gas distribution to customers and resale of natural gas to neighboring countries such as Turkey, as well as gas transmission. That will change during 2000 under new Cabinet orders, as gas distribution to customers will be in the future the business of new regional private-sector gas distribution companies. In addition, Bulgargas has plans to have invested $93 million during 2000 to upgrade their facilities and equipment to pump more Russian gas through its transit pipelines to neighboring countries. The State Agency on Energy and Energy Resources has announced that Bulgargas will be divided into seven independent gas distribution companies, in accordance with the EU Gas Directive that member countries must liberalize their gas markets.

9. Tourism Infrastructure

Bulgaria needs tourism revenue to finance its overall economic growth and its transportation infrastructure. To attract more, and more upscale, tourists, Bulgaria needs to rapidly update and expand its tourist facilities.

The upgrading of Bulgaria's tourism infrastructure is accordingly a top priority of the Tourism Directorate of the Ministry of Economy. The Directorate 's plans go far beyond expansion and improvement of Bulgaria's ski resorts well-known to Western Europeans and the Black sea beach resorts long popular with East European tourists. A chief objective is the encouragement of cultural tourism emphasizing the country's history and heritage as a crossroads of southeastern Europe. Privatization of state -owned facilities is still ongoing, together with plans to modernize, refurbish and renovate facilities to enable them to be used throughout the year. Major emphasis is being placed on the introduction of more efficient management systems, better pricing strategies and advertising methods.

U.S. companies that specialize in hotel management, theme park development, golf course development, fast food establishments, sports and leisure facilities, environmental control may have excellent opportunities to participate in the upgrade of major infrastructure facilities that tourism depends on.

III. POLITICAL ENVIRONMENT

A. Nature of Political Relationship with the United States

U. S.- Bulgarian bilateral relations are steadily improving and have intensified over the last three years reflecting a wide range of shared interests. The U.S. Government strongly supports political stability, the growth of democracy, and the development of a market economy and economic prosperity in Bulgaria. U.S.-Bulgarian high-level contacts are increasing, with President Stoyanov having visited Washington in February 1998, First Lady Hillary Clinton paying a visit to Sofia in October 1998, and President Clinton coming to Bulgaria for a highly successful visit in November, 1999.

In February 1994, Bulgaria joined NATO's Partnership for Peace. U.S.-Bulgarian defense relations are active and include regular naval ship visits to Bulgaria's Black Sea ports. Defense Secretary Cohen visited Sofia in July and in October 1997, to discuss requirements and preparations for Bulgaria's eventual application for full NATO membership. The Department of Defense has a number of military liaison programs with the Bulgarian military to help modernize Bulgarian armed forces, purchase appropriate equipment, and prepare for interoperability with NATO forces. Bulgaria is a leader in the multilateral peacekeeping force for Southeastern Europe whose first headquarters are in Plovdiv.

Since the fall of Communism at the end of 1989, numerous bilateral agreements have been signed between Bulgaria and the United States. In the areas of aviation and defense these include the Civil Aviation Security Agreement of 1991, an agreement by the United States International Military

Education and Training (IMET) Program (1992), and a Memorandum of Cooperation on Defense and Military Relations (1994).

Agreements on postal matters include a Memorandum of Understanding on the INTELPOST service (1990) and the International Express Mail Agreement (1991). Other trade-related agreements include a 1993 agreement on trade in textiles and textile products, the Investment Incentive Agreement (1991).

On February 1, 1999, a bilateral Memorandum of Understanding came into force providing for tax free treatment of U. S. Government assistance.

B. Major Political Issues Affecting Business Climate

The ruling Union of Democratic Forces (UDF) has enjoyed a stable parliamentary majority and has followed a mandate of leading Bulgaria out of the 1996-97 economic crisis; however, reforms have not been implemented as fast as some had hoped. And although the Currency Board has been highly successful in stabilizing the economy, sustained growth has yet to be achieved.

Organized crime and corruption are a concern of both the government and the ordinary citizen. Prime Minister Kostov has declared this a priority issue. The National Assembly has passed laws to amend the Penal Code and the Criminal Procedures Code. Violent crime against persons is extremely low and property crime—car theft, pick-pocketing and burglaries—though still widespread, is on the decrease. Among some state-owned companies assets have been siphoned off by unscrupulous managers in league with private business people—a practice which the current government has attempted to curb.

The government actively pursues membership in Western institutions including NATO and the European Union (EU). The UDF maintains close contacts and an active dialogue with NATO and the EU on all relevant political, financial, military and other issues related to future full membership. In many ways the Bulgarian Government has attempted to cooperate as though it were already a full NATO member, as witnessed during the Kosovo Crisis. The government hopes that active engagement to fulfill the membership criteria will encourage foreign investment and promote greater confidence in Bulgaria's political and economic institutions.

C. Brief Synopsis of Political System, Schedule for Elections, and Orientation of Major Political Parties

Following the removal of long time communist leader Todor Zhivkov in 1989, Bulgaria has been a parliamentary republic ruled by a democratically elected government. A new constitution was enacted in 1991 which lays out the basic rights and obligations of citizens and is the basis for Bulgaria's legal system. The constitution allows for the freedom of association and the formation of political parties.

The constitution provides for the separation of powers amongst the executive, judicial and legislative branches and a system of checks and balances. The president is the head of state. The presidency is empowered to conclude international treaties and to schedule parliamentary (or National Assembly) elections. The president is also the commander-in-chief of the armed forces. The National Assembly is a unicameral legislative body that consists of 240 members who are elected for a term of four years.

Petur Stoyanov of the Union of Democratic Forces (UDF) won a decisive victory in the November 1996 presidential election. He assumed the presidency in January 1997 for a five-year term.

Failure to follow through on reform measures through most of the 1990's led to the rapid downward spin of the economy which in turn seriously affected the living standards of all Bulgarians. Between 1989 and 1997 there were eight governments in Bulgaria. By giving local groups without management ability priority in the privatization process and access to questionable loans, this cronyism spread weakness throughout the economy causing the banking system to nearly collapse in May 1996. The Bulgarian Socialist Party's slow progress in implementing reforms and mishandling of the economy led to a host of financial, social, and economic problems which reached crisis level in late 1996- early 1997. Meanwhile, the UDF developed a new sense of unity and purpose by promoting a consensus, pro-reform- pro-West agenda as recommended by international financial institutions.

In February 1997, after several weeks of escalating public protests televised worldwide over the government's handling of the economy, the ruling Bulgarian Socialist Party (BSP) agreed to step down. Later that month President Stoyanov dissolved the national Assembly (Parliament) and appointed a UDF-led caretaker government to replace the unpopular socialist government.

The caretaker cabinet moved quickly to stabilize the economy in March 1997 by concluding a $510 million standby arrangement with the IMF to help pull the country out of crisis.

In April 1997, a reform-minded coalition headed by the center-right United Democratic forces — which includes the UDF, the People's Union and a number of smaller parties—won an absolute majority in the pre-term general parliamentary elections. UDF Chairman Ivan Kostov was appointed Prime Minister by the National Assembly.

The key priorities of the UDF-led coalition government have been economic stabilization, crime control and Euro-Atlantic integration. The next parliamentary elections will be held in the year 2001.

Local elections were held in October, 1999. Neither party achieved a breakthrough with the UDF failing to expand its 1997 mandate, while the BSP lost several mayoralties and the accompanying government apparati which they had controlled. Key features of the election were voter apathy, the inclination to cast a protest vote for small parties and the dispersion of municipal council seats amongst parties not represented in parliament

The prospect for national elections is for a further whittling away of the UDF's current majority, while the BSP which has attempted to implement numerous reforms and moved to a more flexible policy on NATO, will try to regain its previously dominant position. Some believe a coalition government is probable and that the largely ethnic Turkish Movement for Rights and Freedoms will play a significant role in forming a new government.

IV. MARKETING U.S. PRODUCTS AND SERVICES

A. Steps to Establishing an Office

Businesses may establish a representative office for information gathering activities. A representative office is not viewed as a legal entity in Bulgaria. Certain restrictions are placed on the office's activities. The Commercial Code and the Foreign Investment Law define the various forms of economic associations and regulate their foundation, organization, and termination. While it is possible to register a branch of a foreign entity in Bulgaria, the most common type of organization for foreign investors is a limited liability company (OOD).

The procedure for establishing a company in Bulgaria Companies requires registration with the local municipal court. Registration documents must include:

Application

Certificate of Incorporation of the parent company

By-laws of the parent company

Minutes of a meeting of the parent company at which the resolution for establishment of a subsidiary in Bulgaria is passed

Specimens of the signatures of the manager

Declaration of the management

Bank receipt attesting to authorized capital on deposit in a Bulgarian bank

Receipt of paid state fees for registration and publication in the State Gazette.

Foreign language documents must be duly translated and legalized (consular certification). The local court reviews the registration documents and provides approval. Within 14 days of the court decision, the company must register with:

<u>the Statistics Institute</u>, which issues a classification number to be entered on all invoices.

<u>the local department of the Social Security Institute</u> for social security purposes—issuance of a social security number to the company and social security books for the employees

<u>the tax authorities</u>, after the first two registrations, to obtain a stamp on the company books, the corporate tax number and VAT number

<u>optionally, the Bulgarian Chamber of Commerce and Industry</u>, useful because the Chamber issues certificates-of-origin for products.

Similar registration procedures as well as other statutory requirements apply to establishing other legal entities such as joint stock companies (ADs), general partnerships (SDs) and limited partnerships (KDs).

Finding an office may not be as straightforward as the registration process described above. There is a shortage of modern office space to suit the needs and requirements of foreign companies. Real estate firms will locate offices on a commission basis.

B. Creating a Joint Venture

There are several laws that govern joint ventures with foreign participation, including the Law on Foreign Person's Economic Activity and Foreign Investment Protection (hereinafter referred to as the Foreign Investment Law), and the Commercial Code.

Joint ventures with state-owned companies must be approved by the relevant ministry. In most instances, this is the Ministry of Industry. The "Regulations for the Regime of Exercising the State's Rights of Ownership in Enterprises" (amended), promulgated by the Council of Ministers in January 1994, provides the authority for the respective ministries have issued internal regulations for the negotiation and approval of joint ventures.

The negotiation phase usually addresses the evaluation of existing assets and contribution of the foreign partner. The foreign contribution can be in cash, capital in-kind and/or know-how. The contribution of the local partner is usually in long-term assets (i.e., existing equipment, facilities, etc.). Other usually discussed issues are: labor issues (employment guarantees), future business and marketing plans and management contracts.

Joint ventures with private companies do not follow the same procedures. No government involvement or approval is necessary. After completion of negotiations, the entity must be registered with the court. If a new legal entity is created, an evaluation of the assets must be performed by a court-appointed expert. The expert's asset evaluation may not be satisfactory from the investor's perspective. A foreign investor who obtains a stake in an existing enterprise through an increase in the capital receives an increase in the stake based on the value of the already negotiated assets. Valuation is essentially negotiated by the parties rather than by appointed experts.

The most successful American joint venture in Bulgaria has been the one formed by American Standard and the Bulgarian Vidima Ideal. American Standard has since bought out its Bulgarian partner and built its biggest factory in the world, which exports bathroom fixtures throughout Europe.

C. Use of Agents and Distributors

U.S. exporters, especially small and medium size enterprises, will most likely choose to enter the Bulgarian market through an agent or distributor. This is because the small size of the Bulgarian market, distance and language differences will make it unattractive to set up a branch or subsidiary at the outset. Even some well-known large American companies are currently represented in Bulgaria by an agent for these reasons.

In considering a potential agent or distributor, common sense prevails: a U.S. company should not automatically sign up the first Bulgarian company that contacts them, and a due diligence background check of a potential business partner, plus frequent visits by the export sales manager, are essential.

D. Finding a local partner and attorney

1. Finding a Business Partner

Commercial Service Sofia can assist U.S. companies in finding an agent or distributor through the Agent and Distributor Service, which includes a search and report, and the Gold Key Service, which includes a search and in-country appointments. Business partners can also be found by exhibiting at trade shows. Directly contacting potential agents or distributors from a list sometimes works, but is not recommended as it is difficult to evaluate a potential business partner long-distance without an introduction or third-party evaluation of the prospective business partner.

2. Finding an Attorney

Bulgarian law stipulates that representation in court and before administrative agencies must be performed by a duly licensed member of the Bulgarian Bar Association, who are independent practitioners in law firms or who are certain employees of corporations. Bulgaria does not allow foreign lawyers to practice in Bulgarian courts, except in criminal cases while accompanied by a Bulgarian lawyer, on a reciprocal basis by agreement with the other country. In the case of a corporation, representation may be either by an authorized senior executive of the firm such as executive director, or by an employee who has passed the practical examination of the Ministry of Justice and who has a power of attorney from the corporation to represent it as “in-house counsel.”

A Bulgarian patent representative who specializes in intellectual property rights and who is admitted to practice before the Bulgarian Patent Office is also essential for preparing documents to protect intellectual property rights. Some lawyers are patent representatives.

Other services such as filing of corporate documents with the courts, legal opinions, and legal consultations, are in practice performed by self-styled “legal consultants,” whose qualifications and experience may vary widely as the field is entirely unregulated. Some legal consultants may be former in-house counsel. Attorneys who are members of the Bulgarian Bar Association also provide such services.

Many Bulgarian law firms have already established relationships and associations with foreign law firms, including American affiliates. Additionally, some of the larger international accounting and consultancy firms have established legal departments which perform some of the services offered by a law firm.

Foreign counsel may be used to review documents and to provide general advice as to joint venture or privatization negotiations. One Canadian law firm has established an office in Sofia, as has at least one Greek firm, subject to the limitations on scope of practice by foreign lawyers in Bulgaria.

E. Checking the Bona Fides of Banks, Agents, Business Partners, Contractors, Subcontractors, and Customers

There is only one internationally recognized credit reporting agencies in Bulgaria, Credit Reform Bulgaria, headquartered in Germany, although there are new companies that have advertised their ability to check corporate references and provide corporate financial data. Interested U.S. companies should contact Commercial Service Sofia for details about these companies.

In addition, Commercial Service Sofia offers the International Corporate Profile service to help U.S. companies do background checks on companies in Bulgaria, and has plans to offer the Customized Market Analysis Service, to help U.S. companies better target the market for their specific products. Commercial Service Sofia recommends that U.S. companies desiring to check the bona fides of Bulgarian companies they are considering doing business with should apply for an International Corporate Profile Report through a U.S. Department of Commerce Export Assistance Center in the United States. Commercial Service Sofia will prepare the report within thirty days of receipt of the request.

F. Distribution and Sales Channels

Traditionally, the service-oriented supply chain in Bulgaria was rigidly segmented into production, intermediate services (i.e., transport, finance, insurance), wholesaling, and retailing. Economic changes are precipitating a blurring of these service demarcations. This is especially true in the rapidly changing consumer sector.

Stambouli, for example, is a Cyprus-based company which began operating dollar stores in Bulgaria in 1984. Stambouli introduced the first modern retail stores in Bulgaria in the early 1990's, and now imports and distributes a wide range of consumer goods through eighteen distribution centers as well as for retailing through its nationwide Bonjour chain of mini-department stores. It has emerged as a vertically integrated importer, wholesaler, and retailer.

The second modern retailer in Bulgaria was Shell gasoline stations, where customers all over the country can find clean minimarts well stocked with hard-to-find imported consumer goods and food products, and the newer shops are co-located with McDonalds restaurants.

Big changes to Bulgaria's retailing structure started in 1999, when the German firm METRO, the second-largest retailer in the world after Walmart, opened its first cash-and-carry membership store in Sofia. METRO carries a wide variety of direct-imported consumer items, including many U.S. brands. METRO has expanded to five stores throughout Bulgaria, and its entry into the market has been followed by similar companies from Bulgaria, Greece, Turkey and Austria. Other companies have opened superstores in Sofia as well including the Greek consumer goods chain store Ena and the Austrian Billa Heute. The Turkish company Princess is opening a chain of smaller food stores all around Bulgaria. The Austrian firm OMV is also building gas stations with mini-marts. The company has a very optimistic plan to build 25 gas stations over one year after entering the Bulgarian market.

It is expected that the consumer choice, competitive prices and convenience of this type of store will further accelerate changes in Bulgaria's distribution sector.

Bulgaria's retail sector is, however, dominated by small-scale shops. With privatization of state-owned shops and new-market-entry following the end of Communism in 1989, seventy-six percent of retail trade is already in private hands. Shop owners are quickly gathering experience in modern marketing and sales promotion. The structure of the retail sector is slowly being transformed. Retail chains are beginning to emerge.

While Bulgaria does not have shopping malls, there are increasing numbers of shopping streets, shopping arcades and co-located stores. Three recent examples of this trend are the renovated TSUM, formerly a department store, now several floors of fashionable shops; the Central Hali, formerly a vegetable market, now two floors of a wide variety of food and clothing shops, plus a food court; and Vitosha Boulevard, Graf Ignatiev Street and the renovated Pirotska Street, all of which have many fashionable shops.

An estimated 79 percent of food sales are handled by private shops and vendors. Local supermarket and food store chains such as Oazis and Fantastiko are developing in the food sector. In Sofia, Dallas, Bon Jour and Elemak are also modern supermarkets which retail mainly imported food products. The stores use contemporary shelving displays, refrigeration display, and even point-of-sale promotions, and except for their relatively small size increasingly resemble mid-range super-markets in the United States. Fruits and vegetables are typically sold at open-air, non-refrigerated public markets.

Larger cities outside Sofia have one or two stores on the scale of a department store. There are City Universal Stores (GUM) in other cities and Regional Universal Stores (RUM) in the suburbs. These stores retail nonperishable consumer products such as household appliances, furniture, apparel, personal care/hygiene items, and consumer electronics. Chain stores such as METRO are also expanding throughout Bulgaria.

Consumer-oriented trade shows and seasonal bazaars are an important part of the retail scene. The Christmas Bazaar at the National Palace of Culture lasts almost two months and features hundreds of booths—actually small shops—on six floors of the complex, turning it into a temporary shopping mall, packed with consumers. Frequent sector-specific bazaars such as food shows and consumer electronics shows do a big business as well.

The transformation of the industrial products and raw material market segments is much slower paced. Bulgaria's wholesale sector is characterized by fragmentary development. Previously, wholesaling was handled by manufacturers who distributed products directly to retailers. Some wholesale operations were established in the consumer sector. The former monopoly position of Bulgarplod, the state-owned wholesaler of fruits and vegetables to retailers and canning factories, has long since been eroded by private entrepreneurs.

The wholesaling sector is increasingly composed of private companies. Many of these companies focus on the import and distribution of imported products. Trade liberalization encouraged many new companies to enter trading activities. Many former state-owned monopolies such as Izotimpex (computers and parts) or Electroimpex (electrical devices and equipment) no longer dominate the market. An array of companies has entered the market and expanded distribution and services. The introduction of marketing concepts and information technologies is not only accelerating but facilitating the transformation.

An interesting example of development has been the formation of Ilientsi. Located in Sofia's northwest industrial zone, Ilientsi is a warehouse and storage facility that is being leased to a broad spectrum of wholesalers. Food and non-food retailers throughout the country purchase substantial quantities through Ilientsi.

G. Franchising and Direct Marketing

1. Franchising

Unknown in Bulgaria in 1989, franchising has spread to ten industry sectors in Bulgaria. The first franchise operations were little more than stores or distribution licenses for trademarked products. From the bottling of Pepsi-Cola, the establishment of KFC Chicken, Pizza Hut and Dunkin Donut shops, and stores featuring well-known European clothing brands, over the past several years franchising have also appeared in the executive recruiting and other services fields. The Bulgarian retail market is now ready for the many products and services that are typically marketed and sold in foreign-based franchise stores. Bulgarian consumers are looking for retailers that can provide a consistent selection of quality products, reasonable prices and good service. Bulgarian entrepreneurs are also eager to obtain transfer of technology and management expertise.

A study recently conducted in Bulgaria showed that profitable sectors with a relatively fast return of investment are tourism, the food industry, construction, and services. Potential in the service and food sectors include printing/photocopying, automotive product retailing and car rental, laundry and dry cleaning, hardware and retail stores, baked foods, candy and snacks, eye care and optical centers. The best opportunities are in the big cities (Sofia, Varna, Plovdiv, Burgas) where the population has a relatively high level of disposable income. Best prospect sectors for U.S. franchisors include automotive products and services; food – restaurants, hotel and motels; laundry and dry-cleaning; and employment services. Good opportunities exist in the following sectors: convenience stores; food –ice cream and yogurt; hardware stores; printing and photocopying services; specialty retail stores; commercial and residential cleaning. Other possibilities exist in the following sectors: equipment rental centers; eye care and optical center; food –baked foods, candy and snacks; and educational services.

Despite franchising being a new concept for the Bulgarian business community, the Bulgarian legal system accommodates franchise agreements. Laws on labor relations are clearly spelled out, leases can be freely negotiated, and laws protect trademarks, patents and copyrights.

The primary challenge in establishing franchises is obtaining sites. In urban areas, especially Sofia, it is sometimes difficult to locate and lease properties at an affordable cost.

There are still no Bulgarian franchisors, although some Bulgarian companies consider franchising as a tool for their expansion and hope to become franchisors soon.

The International Executive Service Corps (IESC), a U.S. Agency for International Development (USAID)-funded organization, works with Bulgarian companies, matching them with potential U.S. franchise owners. In addition, there is a Bulgarian Franchise Association.

The first franchising exhibition in Bulgaria with international participation, the Balkan Franchising Exhibition, will be held in February 2001, in Sofia.

2. Direct Marketing

Direct marketing is relatively new to Bulgaria. There are few, if any Bulgarian mail-order catalogs. Vacuum cleaners and cosmetics are being sold fairly successfully door-to-door. Companies employ different marketing techniques. An Austrian company is currently using television home shopping "infomercials" to sell kitchen tools and appliances not available in local shops. Home demonstrations are not popular and have generated little success. Avon and the Swedish company Oriflame report success in the direct sale of cosmetics.

Limitations to expansion of telemarketing are poor telephone service in rural areas (not everyone has a telephone) and unreliable mail deliveries. There are also no toll-free telephone services offered by BTC. For the time being, direct marketing techniques may have more relevance to larger urban areas. According to industry professionals, the population of smaller towns is suspicious of direct marketing to end-users. In less populated areas where contact between people is infrequent, door-to-door selling is viewed as a way to socialize.

Direct marketing through catalogs, telemarketing and the Internet from the United States to Bulgaria is still quite difficult. Few Bulgarians have credit cards, and with residual lack of confidence in the banking system and undeveloped banking infrastructure, debit cards are just now coming into popularity. Together with the low purchasing power, the high cost of shipping and lack of security for parcels and mail at most homes, catalog shopping and Internet shopping from the United States is in its infancy. However, e-commerce is expected to grow in Bulgaria over the long term.

H. Selling Factors and Techniques Best Suited to the Local Culture

Bulgarian consumers and companies have low purchasing power, which means that price is a major consideration in developing a market strategy. While some customers may prefer to "buy Bulgarian," frequently there is no Bulgarian manufacturer or it is recognized that the Bulgarian supplier does not have the capacity or the quality of product to meet the customers' needs. So frequently the contest is among American, European and Asian suppliers. American companies are widely recognized for their quality and reasonable price, and value sells well in Bulgaria.

Market statistics are essential to choosing specific marketing strategies, but the Bulgarian market can be complex and difficult to gauge. Market size statistics are almost nonexistent. Available statistics are usually unreliable and do not assist in accurately predicting market responses. While low official disposable income statistics might initially discourage market entry, the size of the unofficial economy and inferences from observing actual sales activity paints a brighter picture. First-hand observation on the streets and in the shops is essential for gauging the amount of actual economic activity in Bulgaria.

Selling to state-owned companies, like selling to the government anywhere, has its own advantages and difficulties. As Bulgaria privatizes, American companies are advised to focus on the emerging private sector. The growth of the private sector augers well for foreign businesses that are accustomed to selling products based on price, product quality and after-sales service.

In the private segment of the economy, marketing techniques will not vary greatly from other foreign countries. Some techniques for developing greater product awareness include developing close relationships with professionals and non-profit organizations, as in the pharmaceutical, health care and medical equipment sectors, sponsoring research, participating in trade shows and events, and placing advertisements or writing articles in professional journals. Some companies have chosen sponsorship of game shows or events.

I. Product Pricing and Licensing

1. Product Pricing

Importers typically mark-up prices 50 percent to wholesalers, who then mark-up their goods another 100 percent. Thus the end price to the consumer can be as much as 300 percent the import price. However, there are great variations, depending on the product, and prices of many goods with 25 percent of prices in the United States and the European Union.

Price supports and state subsidies are being stripped away. The 1997 amendment to the Regulation for Implementing the Law on Prices substantially decreased the number of items subject to limited price control. The products affected are primarily basic necessities. All other prices are directly negotiated between the manufacturer and the distributor. Price competition is becoming more intensive. Realignment of prices has already occurred in many instances.

Consumer demand is price elastic in Bulgaria. Having low per capita income and purchasing power, consumers are highly price sensitive, but consumers will spend more in return for higher quality. Most people have generally restricted their purchasing to basic-necessity goods only. Imported products are typically higher priced than locally produced goods. Pent-up demand for goods not previously available is responsible for some sustained demand for imports.

Despite the disparities in purchasing power, a number of imported products in Bulgaria are actually more expensive than the same or similar products sold in stores in the United States. U.S. manufacturers considering export to Bulgaria should look closely at ways to cut transportation and distribution costs for selling to Bulgaria so that Bulgarian customers can benefit from the wide variety and attractive prices of American products.

2. Licensing

Since Bulgarian companies do not have ready access to good financing, it might be difficult for a

U.S. company to find a Bulgarian company able to invest large sums to acquire a production license or new manufacturing capability for an American product. However, enterprises with existing and suitable manufacturing capacity and good markets might be eager to take on the manufacturing of an American product. This might be a good market strategy for a U.S. company with high labor costs and product prices that are too high for Bulgarian customers. Production for Bulgaria's market in Bulgaria, with its low labor costs, might enable market entry. Caution is advised, however, as in any transfer of technology.

The Law on Obligations and Contracts and the Commercial Code set forth the rules for making a licensing contract.

J. Advertising and Trade Promotion

1. Advertising

Advertising is quickly becoming a key marketing tool in Bulgaria. Today, nearly all companies in Bulgaria engage in some form of advertising. The following advertising media are preferred by Bulgarian companies (in descending order): printed media, both newspapers and magazines, radio, outdoor billboards/signs, event sponsorship, trade shows, sales promotion literature, and last, television. Television is becoming more and more important but the price of commercial air time is simultaneously rising. While it is more than affordable for foreign companies, it is still expensive for many Bulgarian companies. Because of the cost, the leading users of television advertising are mainly foreign-affiliated companies, especially those specializing in consumer products. It may be necessary for a U.S. supplier to assist their Bulgarian agent or distributor in coping with the cost of television commercials.

Advertising is regulated by the 1998 Law on the Protection of Competition. This law prohibits advertisements which disseminate misleading information to consumers or malign the reputation of competitors.

Separate legislation regulates advertising for specific products. Article 35 of the Law on Tobacco and Tobacco Products explicitly prohibits any advertising of tobacco products with the exception of point-of-sale promotions. This provision appears not to be enforced, given ubiquitous advertising of cigarettes in all the media. The Pharmaceutical Law prohibits the advertising of pharmaceuticals that are not registered in Bulgaria. Advertising content for registered pharmaceuticals must be pre-approved by the National Institute for the Control of Pharmaceutical Products (the registration authority).

There are about thirty companies that provide a full range of professional advertising services. These companies have formed an advertising association, and there is at least one other association comprised of smaller companies. These companies have tried to influence the media to pay attention to international advertising norms and ethics. These firms persuaded the television stations to broadcast cigarette commercials only after 10 p.m. instead of during prime TV viewing hours when minors are watching. These companies are also in regular contact with the Parliamentary Committee on Television and Radio, which is charged with proposing new regulatory legislation.

Major newspapers and business journals in Bulgaria (in Bulgarian except as indicated), e-commerce-related websites, and leads for local advertising, public relations, and promotional service agencies, and other service providers, are contained in the appendix.

2. Trade Promotion

Bulgaria has a number of industry specific trade shows. Many U.S. products are displayed through agents, distributors and dealers. These shows offer a very good opportunity for U.S. companies to gain market exposure and expand distribution in Bulgaria. Commercial Service Sofia can help U.S. companies obtain application forms and participation information about Bulgarian trade shows.

A representative list of trade shows is contained in the appendix. Information on trade shows in Bulgaria can also be obtained from the links in the Commercial Service Sofia website, www.usatrade.gov/bulgaria.

Commercial Service Sofia plans to organize a U.S. Pavilion in the STROIKO building materials show in March 2001 and support the American Tech show in April 2001.

K. Sales Services and Customer Support

Bulgarian retailers, particularly outside of Sofia, may require assistance in designing point-of-sale promotions. Foreign companies may have to advise their agents and distributors how to educate retailers on shelving displays, product location, promotional campaigns and promotional literature.

Bulgarian consumers expect good after-sales service and customer support when purchasing products. Bulgarian state-owned companies have not met consumer demands for this. However, new private companies understand the importance of customer support and follow through on promises.

These companies also demand full service and support from the U.S. exporter when purchasing imported products. Given that prices are generally higher and their limited budgets are already stretched, service and support by their suppliers are mandatory in their view. Emphasis on customer support is an initial step in developing customer loyalty.

Most American companies operating in Bulgaria provide training to their distributors/agents. In many cases, agents and distributors are trained in the United States in order to communicate the firm’s distinctive corporate policies, behavior and standards.

L. Government Procurement Practices

The Law on Assignment of Government and Municipal Contracts of 1997 is the first clear-cut procedure for government procurement to be introduced in Bulgaria. It is equally applicable to both local and foreign potential providers, and, with few exceptions, treats them both equally. How the law is being implemented and enforced is crucial, as in many cases bidders have complained that tendering processes are frequently subject to irregularities, which would imply that corruption has not yet been stamped out.

Government procurement is defined by complex criteria: to qualify, it must be done by a central governmental or municipal institution or agency, or by another entity disposing of central and municipal government, budgetary or other funds. The intended contract can be for the purchase, supply, transportation, rent, lease, manufacturing, assembly or maintenance of movables or immovables, for the provision of services, for the study, design, construction, or improvement of property. The contract must be preceded by a tender, a two-phase tender, a silent auction, or negotiations with three or more potential contractors (one in exceptional cases), to ensure competitiveness, equal opportunity and fairness.

The law allows participants in pre-contract procedures to appeal against violations of the applicable procedures. General government supervision for compliance with this law is exercised by the National Audit Chamber, which has the legal power to penalize violators when notified of violations and abuses. Each ministry has a government procurement office which is responsible for overseeing the process.

Selling to state-owned companies can be even more difficult. Selling to state-owned companies and other state entities still depends on cultivating relationships. Many foreign companies complain that state-owned company officials usually request some form of kick-back or bribe which American companies may not offer, pursuant to the U.S. Foreign Corrupt Practices Act.

Public procurement financed by international financial institutions such as the EBRD offers the best opportunity for transparent purchasing decisions based on price and other competitive factors. Pursuant to the loan guidelines, tenders must be open and transparent. Results of the tender evaluation process are subject to the review and final approval of the financing institution.

Daily Newspapers

24 Hours
47, Tsarigradsko Chausse Boulevard
1504 Sofia
Phone: (359)(2) 433-9276; 433-9273
Fax: (359)(2) 433-9340

Banker
13, Tsvetna Gradina St.
1421 Sofia
Phone: (359 2) 66-23-62
Fax: (359 2) 66-23-62; 66-04-52

Kapital
P.O. Box 198
1000 Sofia
20 Ivan Vazov Street, floor 2
Sofia
Phone: (359)(2) 981-5816
Fax: (359)(2) 980-9439

Pari

47A, Tsarigradsko Chausse Boulevard
1504 Sofia
Phone: (359)(2) 943-3147
Fax:(359)(2) 943-3188

Demokratsia

134, Rakovski Street
1000 Sofia
Phone: (359)(2) 981-8624
Fax: (359)(2) 980-9354

Duma

47, Tsarigradsko Chausse Boulevard
1504 Sofia
Phone: (359)(2) 44-38-44; 43-431
Fax: (359)(2) 944-1046

Standard

113A, Tsarigradsko Chausse Boulevard
IPK Rodina
1504 Sofia
Phone: (359)(2) 974-3142
Fax: (359)(2) 76-2877

Trud (Labor Daily)

119, Ekzarh Yosif St.
1000 Sofia
Phone: (359)(2) 98-449-209, 98-449-173
Fax:(359)(2)(359)(2) 433-9304

Weekly Journals

168 Hours

47, Tsarigradsko Chausse Boulevard
1504 Sofia
Phone: (359)(2) 433-9276; 433-9273
Fax: (359)(2) 433-9340

Bulgarian Business News

(English Edition)
47, Tsarigradsko Chausse Boulevard
1504 Sofia
Phone: (359)(2) 433-9264; 433-9249; 433-9296
Fax: (359)(2) 943-3058

Bulgarian Economic Outlook

(English Edition)
49, Tsarigradsko Chausse Boulevard
1504 Sofia
Phone: (359)(2) 70-6467
Fax: (359)(2) 80-2480; 981-4208
e-mail: economic@bta.bg
website: http://www.bta-bg.net

The Sofia Echo
(published in English)
NKIA
P.O. Box 132
National Palace of Culture
1463 Sofia
Phone: (359)(2) 51-9063
Fax: (359)(2) 65-7497
E-mail: christine@mail.erix.net
Website: http://www.online.bg/sofiaecho

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. Best Prospects for Non-Agricultural Goods and Services

The following are best prospect sectors, ranked by estimated dollar growth in U.S. exports over the coming year.

RANK	SECTOR CODE	SECTOR NAME
1	ELP	Electrical Power Systems
2	TEL	Telecommunications Equipment
3	CPT	Computers and Peripherals
4	TES	Telecommunications Services
5	APG	Airport and Ground Support Equipment
6	AGM	Agricultural Machinery and Equipment
7	BLD	Building Products
8	CSF	Computer Software
9	APS	Automotive Parts and Service Equipment

Note: Exchange rates used are BGN 1.760 for 1998, BGN 1.838 for 1999, and BGN 1.80 for 2000.

1 Electrical Power Systems (ELP)

Bulgarian electrical power generation capacity is 12,688 megawatts. In 1999, under the conditions of continuing decrease of electricity consumption in the country the state-owned electric utility

Natsionalna Elektricheska Kompania – NEK secured gross electricity consumption of 36,296 million kWh, which was 4.6 percent lower compared to 1998. The electric power output of NEK's power plants in 1999 was 33,896 million kWh which was 8.8 percent lower than in 1998 and constituted 88.6 percent of the total electric power generated in the country. The other 11.4 percent consists of co-generation facilities operated by district heating companies and large industrial enterprises. NEK's power plants are 44.6 percent thermal (two-thirds lignite and brown coal, one-third imported coal), 46.7 percent nuclear (at Kozloduy, on the Danube River), and 8.7 percent hydropower.

Bulgaria has big plans for investment that will offer excellent opportunities for U.S. suppliers of electrical power equipment in 2000 and beyond. The most promising subsectors are nuclear power generating equipment, turbines, and cogeneration equipment. The State Agency for Energy and Energy Resources' (SAEER) top priority is improvement of the safety and operations of the Kozloduy nuclear reactor units. Other projects include major upgrades at the Maritza East 2 Thermal Power Plant, replacement of the Maritza East 1 plant, and the rehabilitation of Maritza East 3. The U.S. utility Entergy has entered into a joint development agreement with NEK for Maritza East 3, while another U.S. company, AES has an agreement with NEK, following the BOO (build-own-operate) scheme for Maritza East 1. Westinghouse Electric, using the first-ever credit guarantee from Eximbank for Bulgaria, will upgrade Kozloduy 5 and 6's control, protection, computer and diagnostic systems.

An international bid for the establishment of a joint venture for the rehabilitation and replacement of the combustion base for utilization of an alternative fuel by three 210MW units of the thermal power plant in Varna is on-going. The recently privatized hydroelectric power plants and the others remaining on the sales list of the Privatization Agency will offer investment opportunities for the U.S. companies. The restructuring of NEK has started, in conformity with the Energy and Energy Efficiency Act, by the establishment of seven regional distribution companies. But still the design activities, engineering operations, consulting services and equipment repair services have to be separated into independent companies. The Kozloduy nuclear power plants and the high voltage network are not included in the privatization program.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	14.4	56.9	153.4
B.	Total local production	11.3	23.6	53.7
C.	Total exports	0.7	6.4	12.4
D.	Total imports	3.8	39.7	87.3
E.	Imports from the U.S.	0	14.9	31.4

Note: the above statistics are unofficial estimates.

2 Telecommunications Equipment (TEL)

The telecommunications market in Bulgaria is expected to grow about 10-15 percent in 2000 compared to 1999. Major customers of telecommunications equipment in Bulgaria are Bulgarian Telecommunications Company (BTC), the state-owned monopoly, which has a significant market share, and GSM and NMT mobile operators.

Almost all telecommunications equipment in Bulgaria is imported. However, there are a number of small Bulgarian producers of telecommunications equipment, which make digital and analog private branch exchanges (PBX's), digital transmission systems, and access equipment. The local companies have good technical expertise but lack management skills and operating capital. Local production is expected to increase in 2000 and reach $10 million. Only 5-8 percent of local production is exported.

U.S. telecommunications equipment, world known for its high quality, is very well received on the Bulgarian market. U.S. telecommunication equipment manufacturers represented in Bulgaria include Hewlett Packard, Cisco, Lucent Technologies, Nortel, 3Com and Bay Networks. However, the Bulgarian market is heavily dominated by European producers such as Siemens, Ericsson and Alcatel.

The low-end equipment on the market, used mainly for office switchboards, is either Bulgarian made or is outdated European equipment, based on 5-6 year old analog technology.

The best market prospects are for Internet-related equipment such as routers, switches, and access servers.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	104.0	114.0	139.0
B.	Total local production	8.0	8.0	10.0
C.	Total exports	4.0	4.0	1.0
D.	Total imports	100.0	110.0	130.0
E.	Imports from the U.S.	6.9	7.5	13.0

Note: the above statistics are unofficial estimates.

3 Computers and Peripherals (CPT)

The computer and peripherals market in Bulgaria is very well developed. The top 20-25 suppliers dominate a market of 500 companies. Brand name computers such as IBM, Hewlett Packard and Compaq occupy 60 percent of the total market while local assembly of computers from imported components has 40 percent of the market. In 1999, a total of 50,040 desktop personal computers, laptops, and servers were imported and assembled in Bulgaria, a figure which is expected to increase to 55,430 in 2000. The market is expecting a growth of about 5 percent in 2000 and 6.5 percent in 2001.

No computer components or peripherals are manufactured in Bulgaria.

Best prospect subsectors for U.S. suppliers include personal computers, servers, laptops, modems, printers and scanners. Since January 1, 1999 all import duties on computers and peripherals have been removed.

Toshiba and Acer are the main competitors to U.S. equipment suppliers on the Bulgarian computer market, while the main competitors to U.S. companies for peripherals sales are Canon, Epson, Kyocera, Oki, Brother, UMAX, Plustek and Mustek. U.S. hardware suppliers enjoy a 85 percent market share, while U.S. companies for peripherals hold a 50 percent market share.

Some of the locally assembled computers are made from components brought into Bulgaria without payment of duty or taxes. These lower quality computers are cheaper and preferred by the home computer market which represents 10 percent of the total market. The number of home users is expected to increase as a result of expanded Internet interest and lower computer prices.

Computers and peripherals in Bulgaria are usually purchased directly from computer suppliers, who actively advertise in both specialized and daily newspapers. The biggest end-users of brand name computers in Bulgaria are state organizations (whose computer purchases are usually financed by international financial organizations) and foreign investors (particularly banks and industrial enterprises).

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	75.0	150.24	157.36
B.	Total local production	20.0	44.6	45.5
C.	Total exports	2.0	6.0	6.12
D.	Total imports	57.0	111.6	117.9
E.	Imports from the U.S	11.5	87.0	92.3

Note: the above statistics are unofficial estimates.

4 Telecommunications Services (TES)

The expected growth of the overall telecommunications market is 10 percent for 2000 and 15 percent for 2001. The state-owned Bulgarian Telecommunications Company (BTC) still has

a 92 percent share of telephone services. Four factors will contribute to the market growth. First, the number of Internet users is expected to substantially increase again in 2000, creating great additional demand for high quality telephone service. Second, the mobile phone use increases substantially and will increase even more with expected competition from the licensing of a second GSM operator. Third, significant growth of digital service as a share of the market continues. Fourth is the expected increase in the number of cable TV operators, especially those with foreign participation, licensing of private radio broadcasting and TV broadcasting operators.
These factors should help create expanded demand for U.S. providers of advanced telephone service solutions, as well as value-added services.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total sales	302.0	333.0	365.0
B.	Sales by local firms	300.0	330.0	363.0
C.	Foreign sales by local firms	22.0	24.0	28.0
D.	Sales by foreign-owned firms	24.0	27.0	30.0
E.	Sales by U.S.-owned firms	12.0	14.0	17.0

Note: The above statistics are unofficial estimates

5 Airport and Ground Support Equipment (APG)

The market for airport and ground support equipment in the year 2000 is estimated to be approximately $53 million. During the next three years this demand is expected to increase at an average rate of 25%, reaching approximately $100 million by 2003. Domestically produced equipment, mostly wheeled baggage transport and loading equipment, is insignificant, less than 1% of the total market, with imports from the United States of $7.8 million of mostly high-tech ground navigation equipment, comprising 15 percent of the total market.

Bulgaria will have a growing need for airport ground handling and support equipment and related services over the 2000-2003 period. All of Bulgaria's airports are old and fall short of the standards expected by international travelers. The main driving force for increase of the demand for airport and ground support equipment will be the reconstruction and upgrading by the Bulgarian Ministry of Transport and Communications of the three ICAO Category II international airports in Bulgaria, Sofia, Burgas and Varna airports, and the plans for upgrading of two other ICAO Category I international airports, Gorna Oryahovitsa and Plovdiv. There is some remaining procurement left to be done for the Air Traffic Control facility at Sofia Airport, although the main procurement of navigational equipment was won by the Italian firm Alenia in early 2000. As a result, navigational equipment is not considered a best sales prospect. Second, it is divesting itself of control of all Bulgaria's scheduled and charter airlines by the end of 2000, and the newly privatized airlines will need to upgrade their ground handling and aircraft maintenance equipment.

Over the short and medium term, demand is estimated to be highest for the following groups of airport equipment: passenger handling, baggage handling, ramp handling, aircraft maintenance, flight operations and crew administration, surface transport, fuel and oil handling, catering equipment and freight and mail handling.

Over the medium term to longer term, best prospects for ground handling and support equipment include towing tractors, elevators, escalators, passenger boarding bridges (air bridges), ground power units, air starter units, air conditioning units, high loaders, fire-fighting and rescue trucks, ground and ground-to airborne communication systems, luggage conveyor belts, forklifts, dollies, baggage carts, and garbage trucks.

(millions of US dollars)

	1998	1999	2000
A. Total Market Size	38.5	46.8	53.0
B. Total Local Production	1.2	1.0	1.8
C. Total Exports	0.3	0.5	1.6
D. Total Imports	37.6	46.3	52.8
E. Import from the U.S.	3.1	5.1	7.8

Note: the above statistics are unofficial estimates

6 Agricultural Machinery and Equipment (AGM)

Market demand for agriculture machinery in 2000 is estimated at $69.4 million as the United States has increased its market share of imports. Over the next year, the market is expected to expand at a rate of 10 - 13 percent. Since the breakup of the communist-era agricultural cooperatives beginning in 1989, Bulgaria has had a strong demand for agricultural equipment. Agricultural reform in Bulgaria and the land restitution process is increasing the number of small farms. At present, Bulgaria has 4.8 million hectares of agricultural land, of which 3.8 million hectares are under cultivation.

As restitution has divided ownership of agricultural machinery among thousands of new owners, the majority of which lacked the knowledge of how to maintain and service the equipment, the result has been a rapid decline in the quantity and condition of the available agriculture machine inventory. The import demand for agricultural machinery as a whole is increasing although the commodity structure and specification varies. The import of tractors comprises approximately 50% of the total import of agricultural machinery followed by the combines. The share of those two groups in the total import of agricultural machinery varies from 70% to 94%. Machines for soil conservation have a 3-7% market share and machines for grain purifying, sifting and assortment have a 1-5% market share.

The trend toward smaller farms has meant increased demand for smaller machines. Tractor size decreased from 73 hp to 50 hp between 1978 and 1997. Bulgaria has one-sixth the agricultural mechanization of the rest of Europe, with an average of 50 hp of tractor capacity per 100 hectares of agricultural land, compared to 300 hp per 100 hectares for all of Europe.

Local producers can supply tractors in the 0.6 - 2 ton range if financing is available. Tractors in these sizes and larger tractors ranging from 3 to 5 tons are imported. The German Claas, the U.S. John Deere, Case and Massey Ferguson are all sold in Bulgaria. Prices of imported new tractors vary from $300 to $500 or DM 540 - 850 per hp, while domestic machines are $130 - $170 or DM 230 - 350 per hp. Industry experts forecast a near-term demand for between 150,000 and 300,000 tractors, mini-tractors and motor cultivators.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	56.2	57.6	69.4
B.	Total local production	7.0	6.8	14.2
C.	Total exports	6.7	6.2	9.2
D.	Total imports	55.9	57,0	64.4
E.	Imports from the U.S.	4.0	7.8	9.4

Note: The above estimates are unofficial estimates.

7 Building Products (BLD)

Because of the relatively stable economic conditions in Bulgaria over the past year, the building materials market has expanded by 22 percent, and will expand by a steady 12.5 percent over the near term. But the market can be expected to grow even more over the long term when the economy strengthens, along with the real estate market. Bulgaria's housing market is improving and offers excellent opportunities for the U.S. suppliers of building materials and great potential for the manufacturers of value-added products.

Traditionally, Bulgarian buildings are made from unreinforced brick with concrete stucco, or more recently, from steel-reinforced concrete with brick infill. Some buildings have concrete shearwall, but extensive renovation of first floors of older buildings to create commercial space has resulted in many "soft story" buildings that are more susceptible to collapse if there were a strong earthquake. Bulgarian buildings are energy inefficient, heavy, and take a long time to build. Wood and steel frame buildings are almost unknown, though Bulgarian builders are starting to look at American–style platform-frame wood construction and prefabricated housing. This situation offers many opportunities to promote high-tech American building materials based on advanced U.S. technology.

U.S. value-added building products that may have very good market prospects include wooden and vinyl windows, doors, flooring and kitchen cabinets, suspended ceilings, insulation, adhesives, cements, roofing shingles, heating and ventilation equipment, air conditioning, refrigeration and cooling systems, steel buildings and fabrications. Other potential imports from the United States could include framing lumber, plywood, molding and fiberboard. In addition, the Bulgarian remodeling market may grow significantly over the long term, offering U.S. companies opportunities in this subsector.

Real estate prices have remained stable, in the $20,000-30,000 range for a 100 square meter two-bedroom apartment. However, low personal incomes have made home purchases increasingly difficult for working people. During 1999, there were only 8,643 housing starts in Bulgaria. The percentage ratio of single family homes, and condominiums (apartments in multi-family buildings) is 17/83.

As most modern building materials are imported, Bulgaria has no applicable standards or testing in this sector. Materials from well-known manufacturers that have certificates from the country of origin are accepted in the market based on technical merit.

The Ministry of Regional Development and Public Works plans to privatize more than 90 percent of the existing construction and building companies, selling 150 companies until 2001 — including all shares in 120 companies.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	97.8	287.0	331.0
B.	Total local production	144.7	221.3	254.9
C.	Total exports	85.0	31.1	42.4
D.	Total imports	38.1	96.8	118.5
E.	Imports from the U.S.	0.5	4.2	5.6

Note: the above statistics are unofficial estimates.

8 Computer Software (CSF)

Bulgaria has a growing market for U.S. computer software products, which are well regarded as more advanced than Bulgarian products. Imports of computer software from the United States are expected to expand by 15 percent in 2000 compared to 1999. The increase is mainly due to increase of Government projects financed by international financial institutions (World Bank, the European Phare program and EBRD) and general increase of foreign investment in the country.

Promising sub-sectors include application software, networking software, electronic design automation, CAD/CAM, computer aided engineering (CAE), Internet software, software products which support Wireless Application Protocol (WAP), e-business management solutions, enterprise planning, and software for web-design. With the stabilization of the banking and financial system, the number of automatic teller machines (ATM's) will grow considerably, and e-commerce and e-business will continue to grow. The Law on Electronic signature, which is expected to be passed by the Bulgarian Parliament, will also significantly facilitate e-commerce in Bulgaria.

As a rule, large Bulgarian organizations still tend to use custom-designed products in-house rather then rely on "off the shelf" products. Ninety percent of the software produced in Bulgaria is customized accounting, payroll and database software, while only ten percent is off-the shelf application software. However, there is a general trend towards usage of more sophisticated and standardized software products. Bulgarian production is dominated by seven companies, although 200 small developers have the potential for creating competitive products and localizing U.S. software, as Bulgarian programmers are well-educated, talented and English-speaking. The number of foreign companies which are outsourcing their projects to Bulgarian software development companies, because of their good programming skills and comparatively low prices, is growing which will in turn increase the local production by 13% in 2000.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	11.7	14.5	16.11
B.	Total local production	13.0	8.0	9.0
C.	Total exports	2.5	3.5	5.0
D.	Total imports	1.2	10.0	12.11
E.	Imports from the U.S.	1.1	9.0	10.3

Note: the above statistics are unofficial estimates.

9 Automotive Parts and Service Equipment (APS)

U.S. after-market automotive parts and accessories and service equipment are increasing market share faster than the growth of Bulgaria's market, which is already 95 percent imports. Bulgaria's automotive fleet is dominated by rapidly aging Eastern European models and increasing numbers of used Western European models acquired individually by dealers from used car lots in France and Germany. One of three Bulgarian households own a car, while the average car is 15-20 years old. While imports from Western Europe are increasing 10 percent, factory parts imports for Russian-made Ladas (made under license from Fiat) and Moskvitches (made under license from Opel) are dropping.

Used cars sold on the Bulgarian market do not undergo any preliminary service inspection and are not covered by any warranty. This translates into a large demand for immediate inventory of spare parts, consumables, instruments and service station equipment. Many Bulgarian car owners do their own service, such as oil changes, filter replacement, simple adjustments, rubber belts replacement, and brake and brake shoe lining replacement. This is done after the car owners buy the spare parts from independent auto parts stores or go directly to some of the many small independent garages or auto repair shops. Cars are often out of service for 2-3 weeks awaiting repair. Gasoline stations do not offer service or repair, although the Shell and OMV stations sell consumables in their co-located convenience stores. Car importers have extensive auto repair capabilities throughout the country, although they use only factory authorized parts for repairs.

In general the automotive and especially the accident repair car business is one of the fastest growing in Bulgaria. Due to the growth in number of European cars and demanding customers the body repair and paint shops are expected to increase. This will lead to a growing need for more sophisticated service and car body repair equipment, both mechanical and electronic, paint products and application methods at an affordable price.

Best prospects include consumables, including oil and air filters, wiper blades, rubber belts, hoses, gaskets, and rings; engine parts and brake parts; body trim such as weather-stripping and seals; exhaust system parts including mufflers and retrofit catalytic converters; accessories such as wheel covers, car/truck bed covers, car battery operated vacuum cleaners and air compressors, and exterior accessory lights; auto security products such as alarms and steering wheel locks; and service equipment for electronic diagnosis, testing and analyzing, wheel balancing, tire changing, oil changing, and battery chargers, and quick-repair kits and tools.

(millions of U.S. dollars)

		1998	1999	2000
A.	Total market size	76.8	78.6	80.3
B.	Total local production	21.01	19.8	19.5
C.	Total exports	17.0	15.3	15.0
D.	Total imports	72.8	74.11	75.8
E.	Imports from the U.S.	2.2	3.2	4.1

Note: the above statistics are unofficial estimates.

B. Best Prospects for Agricultural Goods and Services

Good prospects exist for the following agricultural commodities:

1. Feedgrains - The recent drought has resulted in lower feed and forage supplies across the region. While livestock numbers are not high, there will be good demand for animal feed such as corn and feed wheat, if the price is right.

2. Specialty flours - Bulgarian bakeries have invested in good equipment and are expanding sales of mass produced breads and pastries. A handful of high end, bulk bakers exist in the larger cities. These bakeries have recently begun to import specialty flours from the U.S. either for special products (croissants or health foods) or to blend with local flour for better baking quality.
Some bakeries are seeking bulk mixes as well.

3. Hides and skins - Raw hides and skins have always been imported by Bulgarian leather manufacturers. This is a price sensitive market, but due to the lower cost local labor, the market is expected to expand over the next few years.

4. Meat and edible offal - While the local livestock industry is in a slump, there has been a jump in demand for red meats. High quality beef and pork are in demand by restaurants and catering firms, but the price must be good and quantities needed are not large. However, beef, poultry and pork meat for processing are in strong demand. The total market size in 1999 was about 33,000 MT ($27 million) and the U.S. market share is roughly 5 percent and growing. Major competitors include Australia and Argentina for beef, Central and West Europe for poultry and France for pork.

5. Soybean meal - Bulgaria has always imported soybean meal for poultry rations. While U.S. high protein meal is appreciated, the market is price sensitive. Competitors in this market are Argentina and Brazil.

5. Rice - Local rice production has fallen to almost zero. However, rice consumption is increasing and consumers are looking for better quality product. The U.S. enjoyed a 35% market share in the past. Competitors include China, Vietnam, Egypt and Italy.

6. Cotton - Raw cotton is increasingly sought by the textile and clothing manufacturing industries. There is a limited local production. Greece and the former CIS countries export to Bulgaria. Total imported in 1999 were 27,000 MT (about $40 million).

7. Wood - All types of veneer are in demand by Bulgarian furniture manufacturers. Increasingly, hardwoods such as oak and beech are asked for by the European companies who produce locally for export to Europe – taking advantage of low cost labor and low taxes.

8. Pet food - This is a small, but growing market. The recent establishment of large retail outlets has led to better marketing of specialty pet foods. In addition, there are a large number of local kiosk stores which cater to pet owners. Brand names are an important marketing factor.

9. Fruit juices and concentrates. This is a fast growing market as European manufacturers build up local processing. The U.S. exported a record $2 million in juice concentrates to Bulgaria in 1999. The total import market was $9.0 million.

10. High-value foods. This category includes salty snacks such as nuts, corn and potato chips and

other processed food products. Several large European retail firms opened outlets in Bulgaria's larger urban areas in 1999. These retail food stores have boosted sales of high-value foods by providing a more efficient (and less expensive) marketing channel for consumers.

C. Significant Investment Opportunities

1. Opportunities for U.S. Investors

Significant investment opportunities for U.S. companies in Bulgaria are the following:

a. Cogeneration Projects for Heat and Electric Power

District heating companies can be upgraded to supply both electricity, up to 35 megawatts, and steam and/or hot water, through cogeneration technology. The best candidates for U.S. companies that can supply the technology and investment capital are the district heating plants in Pernik, Vratsa, Varna and Pravetz. In addition, the are proposals being discussed that all central heating companies will be pooled together and privatized.

b. Banks

The Bank Consolidation Company is actively marketing the privatization of two of the three remaining state-owned banks: Biochim, based in Sofia, and Hebrosbank, based in Plovdiv. Further information can be found on the website of the Bulgarian Foreign Investment Agency: http://www.bfia.org.

c. State-owned Companies Being Privatized

The Privatisation Agency is currently marketing a large number of industrial and trading companies for privatization. Further information can be found on their website: http://www.privatisation.online.bg.

d. Value-added Food Processing

Value-added food processing has seen a substantial amount of foreign investment in dairy, confectionery, bakery, and other enterprises, and industry experts believe that Bulgaria offers substantial opportunity to utilize the country's agricultural production to manufacture a variety of processed foods.

e. Tourist Infrastructure

Opportunities for investment in Bulgaria's tourist infrastructure center on the ski resorts, Black Sea summer resorts, and hot springs.

f. Wineries

Companies that produce Bulgaria's high-quality wines may be attractive candidates for companies to upgrade their production for export.

2. Large Investment Projects with Significant Procurement Opportunities

The Bulgarian Industrial Association website keeps a current listing of infrastructure investment projects in Bulgaria: http://www.bia-bg.comm/investments.

a. Transport Projects

Bulgaria has a number of major transport infrastructure projects that could offer significant procurement opportunities if financing can be found and case-by-case restrictions against non-European bidders overcome:

Sofia Airport Reconstruction	
Passenger Terminal and Runway Extension	$200 million
Cargo Terminal	$200 million
Plovdiv – Burgas Highway	$500 million
Burgas – Varna Highway	$300 million
Tunnel Under Shipka Mountain	$120 million
Burgas Harbor Ro-ro, Container, Cargo Ferry Terminals	$300 million
Sofia – Skopje Railroad	$180 million
Danube River Bridge at Vidin or Lom	$120 million

b. Environmental Projects

Bulgaria's largest environmental project is a nationwide $220 million plan for the processing of industrial waste. Bulgaria also has a large number of environmental remediation projects under $5 million that could offer opportunities for U.S. companies. Bulgarian companies and regional authorities are aggressively seeking U.S. partners under the Ecolinks program for some of these projects. Interested U.S. companies should consult with Commercial Service Sofia concerning these opportunities.

VI. TRADE REGULATIONS AND STANDARDS

Bulgaria became a member of the World Trade Organization in December 1996. This will spur greater market liberalization following a transition period.

A. Membership in Free Trade Arrangements

In March 1993, Bulgaria signed an Association Agreement with the European Union under which the EU and Bulgaria will eliminate tariffs asymmetrically over a 10-year period with the EU reducing tariffs at an accelerated rate. Agricultural concessions are applied on a reciprocal basis. The Europe Agreement also calls for the harmonization of Bulgaria's laws and institutions with those of the European Union in preparation for eventual full membership. Already, Bulgaria is making an effort to take into consideration the requirements of EU directives in drafting new legislation.

In July 1993, Bulgaria joined the European Free Trade Agreement (EFTA). The provisions of the EFTA Agreement mirror those of Bulgaria's Association Agreement with the European Union. Since then, the majority of EFTA member countries have opted to join the EU. Bulgaria joined the World Trade Organizations in December 1996 and the Central European Free Trade Agreement (CEFTA) in January 1999. A free trade agreement between Bulgaria and Turkey took effect in January 1999. A free trade agreement between Bulgaria and Israel is expected to go into effect by the end of 2000.

B. Tariff and Non-Tariff Trade Barriers

1. Tariff Barriers

Products imported from the European Union with a Form EUR 1 certificate are subject to reduced customs duties or exempt entirely in accordance with Bulgaria's European Union association agreement. In contrast, U.S. products only receive Most Favored Nation customs tariff rates, which are almost always higher than tariffs applicable to EU products. This has placed some dutiable U.S. products such as soda ash at a comparative disadvantage. U.S. Government policy is to urge Bulgaria to reduce its tariffs for non-EU products. One benchmark for reduction would be the level of the European Union's Common External Tariff, which in almost all cases is lower than Bulgaria's tariffs.

Customs duties on agricultural goods and inputs and distilled spirits are also of concern to U.S. exporters. Preferential treatment applies to some tobacco varieties, mainly for those imported from Argentina, Brazil, India and Zimbabwe.

2. Non-tariff Barriers

Bulgaria's non-tariff barriers are described in the annual National Trade Estimate report issued by the Office of the U.S. Trade Representative each March 31. A major concern is implementation of Bulgaria's customs regulations and policies, which are sometimes reported be cumbersome, arbitrary and inconsistent. Other major concerns are irregular implementation of Bulgaria's 1997 public procurement law and privatization procedures, and protection of U.S. intellectual property rights.

As in other countries aspiring to membership in the European Union, Bulgaria's 1998 Radio and Television Law requires a "predominant portion" of certain programming to be drawn from European-produced works and sets quotas for Bulgarian works within that portion. However, this requirement will only be applied to the extent "practicable." Foreign broadcasters transmitting into Bulgaria must have a local representative, and broadcasters are prohibited from entering into barter agreements with television program suppliers.

Other barriers include food labeling requirements, and automobile registration and pharmaceutical registration procedures.

C. Tariff Rates

Bulgaria follows the Harmonized System (HS) adopted by the Customs Cooperation Council. Tariffs range between 5 percent and 40 percent on industrial products and 5 percent and 70 percent for agricultural products. The average tariffs applied to imported manufactured goods and agricultural products are 14 percent and 26 percent, respectively. Import duties are ad valorem for agricultural products; some products such as meat have minimum import duties in ECU per metric ton.

Bulgaria's tariff schedules consist of two columns of rates. The column 1 rate applies to the 118 countries that qualify for preferential duty rates. Column 2 is equivalent to Most-Favored Nation (MFN) status. Forty-two countries, including the United States, are subject to column 2. Approximately 80 percent by value of Bulgaria's total imports receive column 2 treatment.

D. Prohibited Imports and U.S.-Imposed Export Controls

1. Prohibited Imports

Bulgaria prohibits imports of ozone-depleting products, ivory, rare birds, and other internationally banned products.

2. Export Controls

a. Export Licensing

A limited number of goods are subject to administrative control, stemming from Bulgaria's compliance with international agreements and specific domestic legislation. Registration (automatic license) and permits (administrative license) required by some commodity groups for export are issued by the Ministry of Trade and Tourism. During 1999, permits are required for export of gold, silver, platinum, opiates, nuclear materials, explosives, arms, endangered species of animals and plants, and some herbicides. Registration of export of five commodities including kerosene and diesel oil is required. Only licensed dealers may export weapons.

Bulgaria maintains quotas on the export of textiles and apparel to Canada and the United States; permits for export in these cases are required.

b. Trade in Arms and Dual-Use Goods and Technologies

Bulgarian Customs supervises control over the export, import, re-export and transit arms and dual-use goods and technologies. Bulgarian regulations follow the EU list of dual-use goods, which integrates the control lists of the Wassenaar Arrangement, missile technology control regime, nuclear suppliers group and the Australian group, and the Wassenaar arrangements munitions list. This list includes goods and technologies in the nuclear weapon, chemical and biological warfare and missile areas.

A permit for each transaction (import, export and re-export) and transit with dual-use goods and arms issued by the Commission for Control and Permission for Foreign Transactions in Arms and Dual-use Goods and Technologies of the Ministry of Trade and Tourism is required regardless of destination. The requirements are as follows:

Export:

Bulgarian export control authorities require a completed export permit form, import license, end-user certificate with non-re-export clause issued by the competent authorities of the country of end-user, and end-use and end-user statement for each export. The applicant is obliged to provide a certificate verifying the actual delivery of equivalent document by the end-user confirming customs clearance of goods within 3 months after the date of entry.

Re-export:

In addition to the requirements for export, a permit for re-export by the competent bodies of the state of initial supplier is required.

Import:

The applicant is obliged to submit a completed import permit form, and in case of dual-use goods, an end-use and end-user statement and delivery verification certificate after the customs clearance of goods is also required.

Transit transportation:

Transit of goods such as arms or radioactive, explosive, inflammable, oxidizing, toxic, infectious or corrosive substances, require a transit permit. A completed form shall be presented by the shipper or an authorized party to the Commission no later than 15 days before the entry of goods into Bulgaria. Transit transportation of other dual-use goods requires a transit statement, which must be presented to Customs upon entry into and exit from Bulgaria.

More information on dual use and arms export control is available from the following departments at the Ministry of Trade and Tourism:

Dual-use Goods Export Control: phone/fax: (359) (2) 987-0549
Arms Export Control: phone/fax (359) (2) 989-6794

Customs officials may make on-the-spot checks of goods being exported to ensure compliance with applicable regulations.

c. U.S. Exports of Sensitive Technology to Bulgaria

U.S. exporters should consult the U.S. Department of Commerce, Bureau of Export Administration, for specific export licensing requirements concerning exports of sensitive high-technology products to Bulgaria.

E. Import Taxes and License Requirements

There are no import taxes. However, all imports are subject to a 20 percent Value Added Tax (VAT) levied at the time of import. Some commodities are also subject to excise duties.
The U.S. Embassy has had no complaints on record from U.S. exporters that Bulgaria's import license regime has negatively affected U.S. exports. As Bulgaria's import licensing regime is subject to frequent change, U.S. companies may wish to consult with CS Sofia for the latest list of affected products.

1. Registration

The list of goods subject to registration is changed quite often. For 1999, the list is only five commodities, including kerosene and fuel oil. In principle, the purpose of registration is to monitor the movement of some "sensitive" goods such as textiles and metals, or of food products which have been in short supply on the domestic market for a certain period: some types of meat, dairy products, sunflower and vegetable oils. These products will receive an automatic license within one day of receipt of application in the Ministry of Trade and Tourism and Ministry of Agriculture. Applicants are required to present a certificate from the court in which their incorporation was registered and a certificate of tax registration. Other substantiating documentation may be required: a contract, pro forma invoice, order, tax number, certificate of origin, and/or a certificate of quality.

2. Authorizations (Licenses)

Decree Number 307 requires that certain products must receive authorization prior to importation. This is a non-automatic licensing process. Authorization, in the form of an import license, is normally issued within two days of the Ministry's receipt of the application. Applicants are required to present certificates from the court and tax registrations as well as supporting documents (enumerated above). Imports of pharmaceuticals also require a copy of the license for wholesale trade.

Appeals following the Ministry of Trade and Tourism's denial of a license must be made in writing to the Minister of Trade and Tourism within five days after the issuance of the decision. The Minister is required to render a final opinion within five days of receipt of the appeal.

The Decree on Bulgaria's Trade Policies in 1999 provides for licensing of the import of gold, silver, platinum, opiates, nuclear materials, explosives, arms, endangered species of animals and plants, and some herbicides.

3. Import Quotas

Several decrees state that certain goods are subject to quotas where the tariff is reduced or waived completely. The sizes of the quotas are determined by calendar year. Quota allocations are distributed by the Ministry of Trade and Tourism through a tendering process or auction. No single applicant may receive a quota allocation larger than 35 percent of the total. Quota recipients may be required to place a deposit or a performance bond issued by a bank. Quota allocations are not transferable. Goods that are subject to duty-free or reduced tariff-rate-quota regimes require certified, simplified customs declarations for import, or a favorable resolution in writing from the principal ministry or department.

Currently products subject to temporarily duty free quotas are insecticides and fungicides, paper and pulp, wheat and sunflower oil. Products subject to reduced duty quotas are beef, poultry, pork, milk and dairy products, some vegetables and vegetable seeds, barley, corn, rice, canned meat, crude sugar from sugar cane, confections, and some alcoholic beverages.

In 1999, duty free import quotas apply temporarily to some additional commodity groups. The goods covered by this import preference are agricultural insecticides and herbicides. Under a separate list, engines and spare parts for agricultural machines are also covered.

F. Customs Regulations and Contact Information

Bulgaria's customs regulations are based on the 1998 Customs Act, which replaces the former 1960 Customs Act. The new Act generally corresponds to the provisions of the European Community Customs Code.

Customs valuation is based on the transaction value – the price actually paid or payable for the goods when sold for export to Bulgaria, defined in Bulgarian levs. The dutiable value is CIF, consisting of the purchase price, transportation costs, insurance charges, commissions, royalties, license fees and all other expenditures associated with the transport (e.g., loading and unloading) for delivery to the Bulgarian border.

Goods may be declared by a customs declaration, by designated simplified procedures such as a simplified customs declaration, a commercial or other document, or by entry in the records of the declarer, or by data-processing entry or other approved method. The customs authorities may carry out post-clearance examination of relevant documents or data.

The law sets out procedures concerning transit, customs warehousing, inward processing, processing under customs control, temporary import, and outward processing. The law provides for public and private bonded warehouses.

U.S. companies may direct inquiries to the following:

General Customs Directorate
Director: Mr. Plamen Minev
1, Aksakov Street
1000 Sofia
Phone: (359)(2) 869222/98 591
Fax: (359)(2) 980-6897

G. Temporary Goods Entry Requirements

Products may be imported into Bulgaria on a temporary basis provided they are not prohibited by law. The rules on temporary imports are contained in the Regulation for Application of the Law on Customs. Article 58 allows entry of samples and products for trade exhibitions. The term of entry cannot exceed six months although a request for extension can be made. Customs duties will not be levied if a letter of guarantee from a Bulgarian organization is presented vouching for eventual return of the goods or payment of duties.

Bulgaria is a party to the Customs Convention on Carnet (ATA) for Temporary Import of Goods. Presentation of an ATA carnet, or TIR carnet, facilitates the process. An entry carnet may be obtained from a local chamber of commerce in the United States. Carnets are usually valid for 1 year and list the products to be imported on a duty-free basis. The carnet must be presented upon entry into Bulgaria. Customs will stamp the carnet thereby validating it. Upon departure, the carnet must again be presented for validation, confirming that the product is being transported out of Bulgaria. Failure to re-export the goods results in application of the duties.

The Regulations also provide for the temporary import of products and equipment. Article 15 lists 15 categories. For example, equipment for repairs, finishing, processing and testing may be imported temporarily duty-free. Any goods intended for re-export, such as textiles and apparel, may also enter duty-free. Article 51 establishes time limits from 3 months to one year for re-export. In practice, Customs requires a deposit equivalent to the assessed duties or a bank guarantee during the temporary import period.

H. Special Import/Export Requirements and Certifications

1. Import Requirements

The Regulations for the Application of the Law on Customs require a certificate of origin, commercial invoice, insurance invoice, bill of lading, and packing list for all imported and exported products. In some cases additional information may be required such as receipt of payment of customs processing fees, bill of health (depending upon products), and certificate of import/export (authorization or license). Agricultural products require a certificate of quality and origin, a veterinary or phyto-sanitary certificate, and other applicable health and safety certificates.

If imports are sourced from the European Union, a movement certificate (Form EUR 1) is necessary if the products are to qualify for reduced duties (pursuant to the terms of the Association Agreement). Form EUR 2 should also be included if the shipment is valued below ECU 5,110.

Products sourced from member countries of the European Free Trade Agreement (EFTA) — Norway, Switzerland and Iceland — require an exporter's declaration in order to qualify for reduced tariff rates.

Upon arrival, products for human consumption should be analyzed in approved local laboratories in cooperation with local authorities. The Committee on Standards and Metrology strictly enforces Bulgarian quality standards, which do not always coincide with generally accepted international standards. Foreign certificates may or may not be considered adequate. After approval is issued, the commodities may be sold on the local market.

2. Standards

The 1964 Law on Standardization and Metrology, as amended, together with the Regulation for Implementation of the Law, sets forth the legal requirements for product standards and quality control in Bulgaria.

The Committee on Standardization and Metrology is the designated authority for developing national standards. The Committee on Standardization reports to the Council of Ministers. In certain areas, product and sector-specific standards are issued by other appointed ministries or agencies.

The Committee on Standardization & Metrology is the competent authority for testing and certification of all products except pharmaceuticals, food and telecommunications equipment. The Committee issues approvals attesting to electrical safety and functional characteristics. The Department for Certification and Management Quality Control, within the Committee, handles all testing and certification. In addition to the application, the Department requires a Bulgarian translation as well as certificate(s) of approval from the corresponding home testing authority and a certificate identifying the testing protocol. The fee levied for the testing and certification process is BGN 50-70 per application. The entire testing and certification process requires at least one month. Certificates are valid for two years.

The Committee on Standardization shares responsibilities for food products with the Ministries of Agriculture and Health. The responsible authority for pharmaceuticals is the National Institute for Pharmaceutical Products in the Ministry of Health, which establishes standards and performs testing and certification and is also responsible for drug registration. Approval for any equipment interconnected to Bulgaria's telecommunications network must be obtained from the State Telecommunications Commission.

Bulgaria is making an effort to harmonize its national standards with international standards. Bulgaria is a participant in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Bulgaria is in the process of harmonizing 1,757 of its standards to European standards, in anticipation of joining the European Union. As of September 18, 2000, all domestic standards on safety, on protection of human life and health and on consumer and environmental protection will no longer be mandatory. The major requirements for the safety of products will be regulated in ordinances to be issued by the separate ministries and will comply with the respective EU directives. By 2001, all current standards are expected to be replaced by adoption of all applicable European Union standards.

I. Labeling Requirements

The 1995 Law on Prices regulates labeling and marking requirements. Labels must contain the following information in Bulgarian: quality, quantity, ingredients, certification authorization number (if any), and manner of storage, transport, use or maintenance. The product must be clearly marked with the date of production, expiration date and the warranty period.

J. Warranty and Non-Warranty Repairs

When a product is sent out of Bulgaria for repairs, the value of the repaired or replacement part is dutiable.

K. Free Trade Zones/Warehouses

Duty Free Trade Zones (FTZ) were established in Bulgaria in 1987 under Decree No. 2242 "On The Duty Free Zones and its Regulations for Application." The new Customs Act, whose provisions do not replace those of Decree No. 2242, renamed the six duty-free zones "free zones." The Customs Act also states that goods located in the free zones and free warehouses are not considered as being in the customs duty of Bulgaria and are not subject to customs duty. Free zones must have access control at fixed entrance and exit points. New construction within the free zones is to be undertaken in conformity with the customs authorities.

Foreign, including U.S., individuals and corporations, and Bulgarian companies with 1 percent or more foreign ownership may set up operations in a free zone. Thus foreign-owned firms have equal or better investment opportunity in the zones as compared to Bulgarian firms.
There are at present six operational "free zones" in Bulgaria: Ruse and Vidin ports on the Danube, Plovdiv, Svilengrad (near the Turkish border), Dragoman (near the Yugoslav border), and Burgas port on the Black Sea. All of them are owned by joint stock companies or a state-owned company owned by the government of Bulgaria. The government provided land and infrastructure for each zone.

Plovdiv, the only inland free zone, is the most profitable, with 24 investment projects. The Burgas FTZ has the largest warehousing and automotive distribution facilities in Bulgaria, and is used by more than 100 foreign and joint venture companies including Samsung and Daewoo. Limited manufacturing is conducted in both the Plovdiv and Ruse FTZs.
All forms of production and trade activities and services may take place in the free zones. Foreign goods delivered to the free zones with purpose of production, storage, processing or re-export are VAT and duty exempt. Bulgarian goods may also be stored in free zones with permission from the customs authorities. Convertible foreign currency may be used, and revenues can be transferred abroad freely without any restrictions. Administrative procedures relieve the investor's need to contact local authorities directly. Production and labor costs are low with well-trained and highly qualified labor available. All the zones are located on strategic trade rail, road and/or water trade routes.

The free trade zones in Bulgaria have attracted a number of foreign investors to undertake processing and trade activities - Hyundai Co., Daewoo Co., KIA Motors, CITCO, Schawartskopf, Henkel, Landmark Chemicals Ltd., Group Schneider, BINDL Energic Systeme GmbH.

VII. INVESTMENT CLIMATE STATEMENT

Note that local currency is quoted in "new" levs throughout this report. A redenomination of the currency, replacing 1,000 "old" levs with one new lev, took place on July 5, 1999 The lev is pegged to the euro under a currency board arrangement and its value relative to the dollar fluctuates with the value of the euro. The U.S. dollar is worth approximately 2.1 levs as of early July 2000.

A. OPENNESS TO FOREIGN INVESTMENT

Bulgaria has one of the most liberal foreign investment laws in the region. Foreign investment typically assumes one of the following forms: establishing a joint venture with existing companies, state-owned or private; acquiring a company through privatization; setting up a new (green field) venture; or making a portfolio investment. Portfolio investment has been minimal given the relative lack of development and inefficiencies of the capital markets.

The most common type of organization for foreign investors is a limited liability company. Other forms are companies limited by shares (joint stock companies), joint enterprises, business associations, general partnerships, limited partnerships, and sole proprietorships.

The problems most often cited by foreign investors in Bulgaria are: government bureaucracy; poor infrastructure; little advance notice of new laws or regulations as well as frequent changes in the legal framework; low domestic purchasing power; the banking system; the protracted privatization process; and a relatively high tax burden.

The 1997 Law on Foreign Investment establishes the Foreign Investment Agency as the government's coordinating body for foreign investment. The law extends national treatment to foreign investors, guarantees compensation in the event of expropriation, and allows the repatriation of profits. The law explicitly recognizes intellectual property and securities as a foreign investment.

The law does not limit the extent or amount of foreign participation in companies. Foreign companies have the right to open deposit accounts in hard currency and Bulgarian levs

Foreign companies are permitted to engage in various forms of business activity including the acquisition of shares in companies, with some restrictions. Foreign individuals cannot own land (this is a constitutional prohibition which must eventually be changed to comply with European Union accession requirements). However, the Foreign Investment Law removed most restrictions on acquisition of land by locally-registered companies with majority foreign participation. Local companies where foreign partners
have controlling interests must obtain prior approval (licenses) to acquire property in certain geographic areas/zones. Bulgarian officials assert that licensing conditions are nominal and routine.

In the area of arms manufacturing, only firms with over 50 percent Bulgarian participation can be licensed for international trade in arms. In 1998, the government developed a strategy for privatizing the military-industrial complex. The plan allows for the privatization of non-military operations and some defense firms, while ensuring that the government retains a blocking share (34 percent) in strategic arms-producing enterprises to guarantee the country's defense priorities.

The 1992 Law on the Transformation and Privatization of State and Municipal-owned Enterprises, as amended, governs Bulgaria's privatization process. The law permits foreign companies to purchase state-owned firms, and the government has emphasized its openness to foreign capital. However, privatization transaction are often protracted, in part because the Privatization Agency often tries to secure a selling price which the market will not bear. Furthermore, the frequent use of direct negotiations in the privatization process has fostered allegations of corruption and political influence in the sale of state enterprises. Policies on employee retention, technology transfer and environmental liability are not uniform. In some cases, controversies have ensued in the post-privatization phase regarding the terms and conditions of sale. (See also Sections A4 and A11.) Given these problems, many foreign investors have preferred to build new facilities from scratch rather than participate in privatization. Parliament is currently considering draft amendments to the Law on the Transformation and Privatization of State and Municipal-owned Enterprises to waive some procurement, concessions and licensing procedures for state-owned and privatized enterprises when such provisions are contained in privatization contracts.

Under the 1995 Law on Concessions, the state is authorized to give “a particular right of using projects, public and state property, as well as giving permits to carry out activities for which a state monopoly is established by law.” Article 4 of the Law lists thirteen sectors in which the state may, on the basis of a concession agreement, grant private investors a partial monopoly in activities normally reserved for the central and/or local governments. These include the construction of roads, ports and airports; power generation and transmission; mining; petroleum exploration/drilling; telecommunications; forests and parks; beaches; and nuclear installations. Concessions are awarded on the basis of a tender and are issued for up to 35 years. Concessions can be extended but shall not exceed 50 years, although the former concession holder can legally be preferred in issuing a new concession for the same object/activity if all other conditions and terms offered by different competitors in the tender are equal or less advantageous.

The law was amended in July 1997 to permit build-operate-transfer deals, give priority for minerals exploitation to the holders of exploration licenses, and reconcile conflicting procedures for privatization and concession. Since 1998, Parliament has passed legislation arranging for concessions in telecommunications, energy, mining, waters, ports, airports, roads and railways.

B. CONVERSION AND TRANSFER POLICIES

Under Article 27 of the Foreign Investment Act, there are no restrictions on the transfer of investment-related funds. The U.S. Embassy has received no complaints from U.S. investors pertaining to transfers and remittances.

In 1999, Bulgaria replaced its outdated and fragmented foreign currency legislation and liberalized current international transactions in line with IMF Article VIII obligations. Transfers are governed by the Foreign Currency Act (1999) effective January 1, 2000, Regulation on the Export and Import of Bulgarian Levs and Foreign Currency in Cash, Precious Metals and Stones (1999), Regulation on Trans-Border Transfers and Payments (1999), and Regulation on Registration by the BNB of Transactions between Residents and Non-residents (1999). Bulgarian citizens as well as foreigners may take Bulgarian Levs and foreign currency of up to BGN 20,000 or its foreign exchange equivalent out of the country without documentation. However, the export of Levs and foreign currency between BGN 5,001 and BGN 20,000 or its foreign exchange equivalent should be declared at customs. Transfers larger than BGN 20,000 must have prior approval of the Bulgarian National Bank (BNB). Foreigners are permitted to export as much currency over the foreign currency equivalent of BGN 20,000 as they have imported into Bulgaria without prior approval.

The law also stipulates that payments abroad made by businesses (or self-employed business people) may be executed only through bank transfers. Transfers over BGN 20,000 for current international payments (imports of goods and services, transportation, interest and principal payments, insurance, training, medical treatment and other purposes defined in Bulgarian regulations) must be supported by documentation showing the need and purpose of such payments.

C. EXPROPRIATION AND COMPENSATION

According to Article 26 of the Foreign Investment Law, property can be expropriated on the grounds of a law “for exceptionally important state purposes.” Owners must be compensated with nearby property of equal value at current prices. Monetary compensation is also permitted with the consent of the property’s owner. Expropriation actions can be appealed to the Supreme Court with regard to the basis for the expropriation action, property appraisal and method of compensation. There have been no cases of expropriation since enactment of the Foreign Investment Law. In its bilateral investment treaty with the United States, Bulgaria committed itself to international arbitration in the event of expropriation and other investment disputes.

D. DISPUTE SETTLEMENT

1. Investment Disputes

In one recent dispute involving a U.S. investor, a local minority shareholder attempted to seize control of a privatized Bulgarian manufacturing enterprise by replacing the board of directors at an illegally convened shareholders’ meeting. The U.S. company, which with the support of other minority shareholders has the controlling interest in the firm, successfully overturned that decision in the Bulgarian court system.

Given the frequent use of direct negotiations in the privatization process, there have been numerous allegations over the last several years of corruption and political influence in the sale of state-owned enterprises. However, relatively few unsuccessful foreign bidders have pursued their complaints in domestic courts or have sought international arbitration. In a minority of these cases, one of which involved a potential American investor, complaints have stopped the disputed sale.

2. Bulgaria’s Court System

Bulgaria’s Constitution (1991) serves as the foundation of the legal system and creates an independent judicial branch. The judicial system consists of three levels of courts.

On the first level, 124 regional courts exercise jurisdiction over administrative, civil and criminal cases. Cases are brought before one judge and two jurors. The 29 district courts (including the Sofia City Court) are the next higher level, and have original jurisdiction in civil cases where claims exceed 10,000 levs, in serious criminal cases and in other cases as determined by a special law. The district courts are also vested with the authority of appellate review for regional court decisions. District courts are presided over by one judge in most cases, although three judges preside in some others defined by the amended Civil Procedure Code. There are five appellate courts (Sofia, Varna, Burgas, Plovdiv and Veliko Turnovo) which review appeals of first instance decisions of the district courts. On the highest level are the Supreme Court of Cassation and the Supreme Administrative Court. The Supreme Court of Cassation has jurisdiction over all civil and criminal cases, and hears appeals on issues of law. The Supreme Administrative Court rules on the legality of acts by the Council of Ministers and the ministries. Decisions by the Supreme Courts are final and binding.

The Law on the Judicial System established an independent Supreme Judicial Council to determine the composition and organization of the judicial branch. The Council has 22 members, 11 elected by the Parliament and 11 by the judicial branch, plus three ex-officio members—the two chairmen of the supreme courts and the Chief Prosecutor. The Minister of Justice presides over the Council, but without the right to vote.

The Constitution also established the Constitutional Court which stands apart from the Supreme Courts. This court issues binding interpretations of the constitution; rules on challenges regarding the constitutionality of laws and acts; rules on international agreements prior to Parliamentary ratification; and reviews domestic laws to determine consistency with international legal norms. Any law or act found unconstitutional ceases to apply as of the date the ruling comes into force. The Constitutional Court consists of 12 judges: one-third elected by Parliament; one-third, appointed by the President; and one-third appointed by judges in the supreme courts.

3. Execution of Judgments

To execute judgments, a final judgment must be obtained so that the court can order payment; make a judicial request to perform an act or abstain from acting; or order the surrender of possession of property/goods. To obtain payment, complicated foreclosure proceedings must be initiated. The court of first instance must be petitioned for a writ of execution (based on the judgment). The issuance of a writ enables seizure of assets. If the party is seeking a judicial request to act or abstain from acting, the final judgment must be brought before an executive judge. The executive judge has the authority to issue fines of up to 400 levs The judge possesses the authority to resort to the police in instances such as the vacating of property and, possibly, for the surrendering of possessions.

Foreign judgments can be executed in Bulgaria. Execution depends on reciprocity as well as on the basis of bilateral or multilateral agreements, as determined by an official list maintained by the Ministry of Justice. All foreign judgments are handled by the Sofia City Court, which must determine that the judgment does not violates public decrees, standards or morals before the foreign judgment can be executed. There are also cases (real estate issues, binding decision on the same case issued by a Bulgarian court) defined by the Civil Procedure Code in which judgments cannot be executed even if they conform to Bulgarian laws or morals.

In practice, execution of judgments is subject to delays, sometimes resulting from corruption and inefficiency in the judicial system.

4. Bankruptcy Law

The Law on Bankruptcy was passed in 1994 and incorporated into Part IV of the Commercial Code. The law provides for reorganization or rehabilitation of the company, attempts to maximize asset recovery, and provides for fair and equal distribution among all creditors. The law applies to all commercial entities, except public monopolies or state-owned companies established by a special law. However, Chapter 14 of the Law on Banks and Credit Activity regulates bank bankruptcies, so the Commercial Code is applied only when the Law on Banks is not sufficient.

Under Part IV of the Commercial Code, bankruptcy proceedings can be initiated by the debtor or by creditors. The debtor is obliged to declare bankruptcy within 15 days of becoming insolvent. Where insolvency is determined, the court appoints an interim trustee. The trustee is responsible for representing and managing the company, taking inventory of property and assets, identifying the creditors, convening the creditors and developing a recovery plan. At the first meeting of the creditors, a trustee is nominated; in most cases this is simply a reaffirmation by the creditors of the court appointed trustee.

Creditors must declare the debts owed to them within one month of the start of bankruptcy proceedings. The trustee then has 14 days to compile a list of debts. A rehabilitation plan(s) or a scheme of distribution (in cases of liquidation) must be proposed no later than the date the court approves the list of debts. Article 700 specifies the content of proposed plans. The court must rule on admittance of the plan within seven days. If the plan does not comply with Article 700, the proposing party has seven days to modify the plan.

The law establishes the priorities of claims (classes) accorded to creditors in the following order: debts secured by pledge or mortgage; debts subject to foreclosure rights; bankruptcy costs; debts involving employment; social security obligations; tax and other charges and obligations to government; unsecured debts; and other debts. The plan is deemed accepted if approved by a simple majority in each creditor class. A court confirmation of the accepted plan is required. In cases where partial payment is being proposed, the plan must have been accepted by at least two creditor classes. If agreement is not reached in cases of rehabilitation, the court can order liquidation.

Until 1996, Part IV of the Commercial Code was not widely applied. Given the interwoven relationships between banks and many large state-owned companies, banks were hesitant to initiate proceedings against these companies; the value of the banks' loans could have been impaired with significant adverse impacts on their balance sheets. There has also been an absence of trained professional trustees. The courts have often been unwilling to supervise trustees.

However, the Government of Bulgaria has instituted a number of bankruptcy procedures under Part IV of the Commercial Code in conjunction with IMF- and World Bank-sponsored structural reforms. At the same time, the Bulgarian National Bank has required undercapitalized commercial banks to use aggressive measures to collect non-performing loans. This means that the courts must now apply the law and that trustees are being appointed. Judges and trustees have been trained in implementation of the processes required under Part IV of the Commercial Code through international assistance programs. As a result, there is likely to be more widespread acceptance and utilization of these procedures.

In addition, the American Bar Association's Central and Eastern European Law Initiative (CEELI) has worked with the legal system on application of the law, development of standard forms for initiating bankruptcy proceedings, and organization of seminars with the Bulgarian Trustees Association and the Bulgarian Bar Association.

After some lengthy delays, the courts have also begun to pronounce on bank bankruptcies. The process has taken over two years in some cases, with few assets liquidated and no disbursements to creditors. In June 1999, Parliament approved amendments to the banking law which would strengthen the bankruptcy regime through streamlined liquidation procedures. Parliament is considering draft legislation which would eliminate the judiciary's role in adjudicating future bank failures, making their resolution an administrative issue.

5. International Arbitration

Pursuant to its Bilateral Investment Treaty with the United States, Bulgaria has committed to a range of dispute settlement procedures starting with notification and consultations. Bulgaria accepts binding international arbitration in disputes with foreign investors.

In 1990, the Bulgarian Chamber of Commerce and Industry (BCCI) established the Court of Arbitration (Regulations for the Application of Decree 56 on Business Activity, Articles 144-151). Arbitration is voluntary and regulated by the 1988 Law on International Commercial Arbitration which essentially conforms to the U.N. Commission on International Trade Law (UNCITRAL) Model Law. Contracts with Bulgarian companies typically call for dispute settlement at the Court, although arbitration in a third country is also possible.

Arbitral decisions may also be executed through the judicial system. The party must petition the Sofia City Court for a writ of execution. Foreclosure proceedings may also be initiated.

Bulgaria is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the 1961 European Convention on International Commercial Arbitration. Bulgaria became the 149th signatory of the International Center for Settlement of Investment Disputes (ICSID) convention. On March 21, 2000, Bulgaria signed the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States.

The American Bar Association's Central and East European Law Initiative is working with the Bulgarian Judges Association to introduce Alternate Dispute Resolution (ADR) to the court system. An ADR center for domestic business disputes has been established through the Bulgarian Industrial Association.

6. Laws/Regulations Governing Commercial Transactions

The 1991 Commercial Code, as amended, defines the various forms of economic associations and regulates their foundation, organization, and termination. Revisions in 1996 to the Commercial Code introduced a chapter on equipment leasing. While the Commercial Code regulates commercial and company law, the 1951 Law on Obligations and Contracts, as amended, regulates civil transactions. These laws are generally deemed adequate for commercial transactions.

E. PERFORMANCE REQUIREMENTS/INCENTIVES

Bulgaria does not impose export performance or local content requirements as a condition for establishing, maintaining or expanding an investment. The law does not specifically restrict hiring of expatriate personnel, but residence permits are often difficult to obtain.

However, a June 1999 law regulating gambling imposes additional requirements on foreigners organizing games of chance. Foreigners can receive a license to establish a casino in a hotel only if they satisfy one of the following conditions: 1) purchase or construction of a hotel rated four-star or higher; or 2) investment of at least $10 million and employment of at least 500 workers in economic activities unrelated to gambling.

F. RIGHT TO PRIVATE OWNERSHIP/ESTABLISHMENT

The Constitution (Article 19) states that the Bulgarian economy “shall be based on free economic initiative.” The government has created the legal framework in which private entities can establish and own business enterprises engaging in profit-making activities save those expressly prohibited by law. Bulgaria’s Commercial Code guarantees and regulates the free establishment, acquisition and disposition of private business enterprises. Competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations, such as licenses and supplies.

G. PROTECTION OF PROPERTY RIGHTS

Bulgarian law protects the acquisition and disposition of property rights. In practice, the protection of property rights is subject to difficulties in varying degrees.

Bulgarian intellectual property legislation has been strengthened recently, and now includes modern patent and copyright laws and criminal penalties for copyright infringement. Bulgarian legislation in this area is considered to be among the most modern in Central and Eastern Europe.

Until recently, Bulgaria was the largest source of compact-disk and CD-ROM piracy in Europe and was one of the world’s leading exporters of pirated goods. For this reason, Bulgaria was placed on the U.S. Trade Representative’s Special 301 Priority Watch List in 1998. In 1998, enforcement improved considerably with the introduction of CD-production licensing. In recognition of the significant progress made by the Bulgarian government in improving protection of intellectual property, the U.S. Trade Representative removed Bulgaria from all Special

301 Watch Lists in April 1999.

Bulgaria is a member of the World Intellectual Property Organization (WIPO) and a signatory to the following agreements: the Paris Convention for the Protection of Intellectual Property; the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcast Organizations; the Geneva Phonograms Convention; the Madrid Agreement for the Repression of False or Deceptive Indications of Source of Goods; the Madrid Agreement on the International Classification and Registration of Trademarks; the Patent Cooperation Treaty; the Universal Copyright Convention; the Bern Convention for the Protection of Literary and Artistic Works; the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration; the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Protection; the Nairobi Treaty on the Protection of the Olympic Symbol; the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks; the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks; the Strasbourg Agreement Concerning the International Patent Classification; and Locarno Agreement Establishing an International Classification for Industrial Designs. On acceding to the World Trade Organization (WTO), Bulgaria agreed to implement the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) without a transitional period.

The 1993 Law on Copyright and Neighboring Rights protects literary, artistic and scientific works. Article 3 provides a full listing of protected works including computer programs (which are protected as literary works). The Law distinguishes between moral and economic rights. The use of protected works is prohibited without the authorization of the author except in those instances enumerated in Article 23. On March 22, 2000 amendments to the law extended the copyright term of protection from 50 years to 70 years after the author's death. The new term of protection is retroactive, i.e., a term of protection that expired at the moment of approval of the amendments was resumed within the frameworks of the 70 year term of protection. For films and other audio-visual works, copyrights are protected during the lives of director, screenplay-writer, cameraman, or the author of dialogue or music plus 70 years. Other amendments to the law enable copyright owners to file civil claims to suspend the activities of pirates, confiscate equipment and pirated materials, enhance border control over pirated material, introduce a new neighboring right for film producers, and harmonize Bulgarian legislation with the Association Agreement with the European Union.

Part II of the law addresses neighboring rights for performers and producers of sound recordings and radio/television programs. Part III of the Law focuses on enforcement.

The Copyright Office of the Ministry of Culture is responsible for copyright matters in Bulgaria. The National Film Center is responsible for enforcing intellectual property rights with regard to films and videos. Remedies for violations are provided in civil law. However, under the Penalty Code, copyright infringement was originally considered only a misdemeanor subject to nominal fines.

Bulgaria's current Law on Patents (the "Patent Law") dates from 1993. Bulgaria grants the right to exclusive use of inventions and utility models for 20 years and 10 years, respectively, from the dates of patent application filings. Inventions eligible for patent protection must be new as a result of innovation and have industrial applications. Article 6 lists items not considered inventions. Utility models are defined as "objects with structural and technological features relating to an improved construction, form and spatial combination of elements of articles, tools, mechanisms, equipment and parts thereof, materials and other items for industrial or home use."

The independent Patent Office is the competent authority with respect to patent matters. Chapter IV of the patent law, Articles 34-53, describe the application procedures and the examination process. Applications are submitted directly to the Patent Office. Compulsory licensing may be ordered under certain conditions: the patent has not been used within four years of filing the patent application or three years from the date of issue; the patent holder is unable to offer good justification for failing to sufficiently supply the national market; or declaration of a national emergency.

Patent infringement is punishable with the imposition of fines of up to 1,000 levs Disputes are reviewed by specialized panels convened by the President of the Patent Office. Parties dissatisfied with the outcome must initiate action in the Sofia City Court within three months of the panel's decision.

On September 19, 1996, Parliament approved the Protection of New Types of Plants and Animal Breeds Act. The Certificate allows for a term of protection of 25 years for annual plants and 30 years for perennial plants and animal breeds. The term of protection starts from its date of issuance by the Patent Office as specified in the law. On April 24, 1998, Parliament ratified the 1991 text of the International Convention for the Protection of New Varieties of Plants (UPOV).

In September 1999, Parliament passed a series of laws on trademarks and geographical indications, industrial designs and integrated circuits in accordance with TRIPs requirements and government's EU Association Agreement. The 1999 Trademarks and Geographical Indications Act, which repealed the 1967 Law on Trademarks and Industrial Designs, regulates the establishment, use, cession, suspension, renewal and protection of rights of trademarks, collective and certificate marks, and geographic indications. Registration is refused or the existing registered trademark is canceled if a trademark constitutes a reproduction, an imitation or creates confusion with a well-known trademark as stipulated by the Paris Convention and the Trademarks and Geographical Indications Act. Applications for registration must be submitted to the Patent Office under specified procedures.

Right of priority, with respect to trademarks that do not differ substantially, is determined based upon application first filed in compliance with information required in Article 32. Right of priority is also established based on the timing of a request made in one of the member countries of the Paris Convention or of the World Trade Organization. To exercise the right of priority, the applicant must file a request within six months of the date of original filing.

A trademark is normally granted within three months of filing of a complete application. Refusals can be appealed in the Sofia City Court within three months of the notification of the decision. The right of exclusive use of a trademark is granted for 10 years from the date of submitting the application. Requests for extension of protection must be filed during the final year of validity but not less than six months from expiration. Failure to use a mark during a five-year period results in protection being terminated.

Infringement of trademarks is a problem in Bulgaria for many U.S. manufacturers. While the law allows for confiscation of offending products, infringement is deemed a misdemeanor under the Penal Code and subject to a nominal fine which does not act as a deterrent to illegal activities. However, the competition law provides for fines of up to 500,000 levs for companies, which use misleading packaging, trademarks or other signs, which injure the interests of competitors.

Protection of Secured Creditors: Difficulties in recovering collateral are often cited as an impediment to commercial lending. A Collateral Loan Law was enacted in October 1996, with the assistance of IRIS (Institutional Reform and the Informal Sector) and the U.S. Agency for International Development. A warehouse receipts program for agricultural commodities is also being implemented with U.S. Government assistance.

H. TRANSPARENCY OF THE REGULATORY SYSTEM

1. Major Taxation Issues Affecting U.S. Business

The 1999 Tax Procedure Code regulates registration procedures of tax liable persons, collection of taxes and state receivables, and tax administration. The General Tax Administration Directorate, along with regional and local tax offices, is vested with the authority to assess liabilities and to collect taxes. The main tax laws govern income and corporate profits taxes.

Personal income tax rates increase progressively from 20 to 40 percent. Foreign individuals residing in Bulgaria are subject to Bulgarian income tax rates on their worldwide income. The basic corporate or profit tax rate is 25 percent, except that a tax rate of 20 percent is applied to companies where annual profits do not exceed 50,000 levs In addition, a municipal tax of 10 percent is levied on profits before the corporate tax is assessed. Individuals and small businesses carrying out certain trades pay a “patent” tax according to a schedule established by Parliament. A withholding tax of 15 percent is assessed on dividends. There is a 15 percent tax on income paid to foreign juridical persons from interest, rent, copyright and license payments, technical services and capital gains, which is levied at the source. The government intends to reduce taxes on profits and personal incomes beginning in 2001.

Employers pay 80 percent of the monthly contributions for social security insurance and health insurance and to an unemployment fund, but their share of contributions is slated to decline in phases to 50 percent by 2007. Employers must contribute for social security insurance and health insurance 28.7 percent and 4.8 percent of employees’ gross salaries, respectively. Companies also contribute 3.2 percent of the total wage bill to an unemployment fund. Foreign persons are required to have the same insurance and unemployment compensation packages as Bulgarians.

There is a 20 percent single-rate value-added tax (VAT), reduced from 22 percent by Parliament in late 1998. All goods and services are subject to VAT except: exports; those involved in international transport; and precious metals supplied to the central bank. VAT payments are generally rebated when goods are resold. Excise taxes are levied on tobacco, alcoholic beverages, and other products.

Foreign investors have asserted that widespread tax evasion combined with the failure of the authorities to enforce collection from large state-owned companies places foreign investors at a disadvantage. Another problem underscored by investors is the frequent revision of tax laws, sometimes without sufficient notice. However, in conjunction with its IMF agreement, the government is strengthening tax collections and limiting tax arrears of state-owned enterprises. Government officials have also indicated their long-term intention to lower marginal rates as tax collection improves.

2. Regulatory Environment

Day-to-day implementation of regulations by the bureaucracy produces frequent impediments to sound commercial practices. Regulations may not make commercial sense, and slow and poor service on applications leads to delays in investments. The government recently completed a major review of existing permit and licensing regimes with the objective of removing obstacles to business formation and development. Some business decisions seem to be made partly on political grounds, and some courts and law enforcement officers may be susceptible to influence (political or economic).

3. Competition Policy

The 1998 Law on the Protection of Competition (the "Competition Law") is intended to foster the establishment and maintenance of a competitive market. The Competition Law forbids monopolies, agreements of companies in restraint of competition, trade restrictive practices, abuse of a dominant market position, and unfair competition, and seeks to promote consumer protection.

Companies are under an obligation to notify the Committee on Protection of Competition of prohibited arrangements within 30 days. Arrangements between companies aimed at restricting competition are allowed if the market share of the companies involved does not exceed five percent. The Competition Law presumes that a company has a dominant position, if that company controls 35 percent or more of the relevant market. A company with a dominant market position is prohibited from: certain pricing practices, limitation of manufacturing development to the detriment of consumers, discriminatory treatment of competing customers, tying contracts to additional and unrelated obligations, and use of economic coercion to cause mergers.

The Competition Law also sets out strict standards and procedures with regard to government subsidies to private businesses.

The Law provides rules concerning mergers and other concentrations of economic power. Transactions, which result in concentrations, may proceed only with the prior consent of the committee, if the transaction will result in the control of more than 20 percent of the relevant market or if the consolidated turnover of the relevant companies exceeded 15 million levs for the previous year.

The Law prohibits four specific forms of unfair competition: misrepresentation with respect to goods or services; misrepresentation with respect to the origin, manufacturer and other features of goods or services; and the use or disclosure of someone else's trade secrets in violation of good faith commercial practices. The law also prohibits "unfair solicitation of customers" (promotion through gifts and lotteries), which may create difficulties for some foreign advertisers.

The Committee enforces the law and may impose penalties on companies up to 500,000 levs and individuals up to 20,000 levs The Committee may advise other agencies to correct decisions violating the law, and may even challenge such decisions in the courts. The Committee is not authorized to consider claims of damages by aggrieved parties, which must be brought to the courts and resolved pursuant to generally applicable rules.

I. Efficiency of Capital Markets/Portfolio Investment

1. Capital Markets

Since October 1997, the Bulgarian Stock Exchange has operated under a license by the Securities and Exchange Commission, pursuant to the 1995 Law on Securities, Stock Exchanges and Investment Companies. The 1999 Law on Public Offering of Securities which repealed the 1995 Law on Securities, Stock Exchanges and Investment Companies currently regulates issuance of securities, securities transactions, stock exchanges, and investment intermediaries.

Bulgarian capital markets are minuscule and other mechanisms for long-term finance (banks, insurance companies, and pension funds) are weak or underdeveloped. The government seeks to encourage voluntary pension funds as part of larger reform of Bulgaria's social safety net. These funds will help develop the country's capital markets, although their portfolios will initially be limited to investments with minimal risk to principal (such as government securities and demand deposits).

The government does finance government expenditures by accessing capital markets. On a weekly basis the Ministry of Finance holds an auction of Treasury bills. The bills are typically short-term (3-month, 6-month and 1-year maturities). Commercial banks are the primary purchasers of these instruments. Foreign banks can participate in the treasury market only through a Bulgarian bank or the branch of a foreign bank which is duly licensed in Bulgaria. The foreign bank transfers the money which is then converted into levs to make the purchase. The foreign bank must open a lev account (referred to as a "custody account") for transactions. This lev account cannot be used as a standard deposit bank account. A foreign currency account can be opened but it is not obligatory.

The Foreign Investment Law defines securities, including treasury bills, with maturities over 6 months as investments. The purchase must be registered with the Ministry of Finance. Investment income from treasury bills is subject to a 15 percent tax. Repatriation of profits is possible after presenting documentation that the taxes have been paid.

2. Description of the Banking System

Bulgaria is predominantly a cash economy. However, several banks have introduced automatic teller machines. Development of services for consumers, such as debit cards, started within the last two years, while personal checks are almost unknown and unused as a method of payment for locals. Checks and credit cards are used mainly by foreigners.

The Bulgarian National Bank (BNB) operates independently of the government and reports directly to Parliament. The BNB regulates the banking system, but, under the Currency Board Arrangement, has no discretion in setting monetary or exchange rate policy. There are 34 commercial banks in Bulgaria; twenty five are fully licensed and authorized to engage in international transactions; two are licensed to conduct domestic operations; and seven are branches of foreign banks in Bulgaria. Citibank is the only U.S. bank with an office in Bulgaria. According to the Bulgarian National Bank, the largest banks in terms of total assets at the end of 1999 were: Bulbank, 2.2 billion levs; DSK Bank (the former State Savings Bank), 1.1 billion levs; and United Bulgarian Bank, 1 billion levs

The government's shares in the state-owned banks Biokhim, and Bulbank are managed by BCC. By Bulgarian law, state-owned banks are permitted to raise capital through new share issues only after approval of the Bank Consolidation Company. The purpose of this rule is to avoid indirect privatization through issuance of new shares. By mid-2000, the BCC has privatized four state-owned banks and selected preferred buyers for Bulbank and Biokhim. In 1999, Express Commercial Bank – Varna and Hebrosbank were privatized by Societe General (SG) and the British Regent Pacific Group, respectively. The GOB has pledged to transform DSK Bank into a commercial bank by the end of 2000.

Bulgaria experienced a severe financial crisis in 1996. BNB closed 18 of the weakest banks, but liquidation has moved slowly. The central bank has enforced compliance with the Basel Accord's 10 percent capital adequacy ratio and a BGN 10 million minimum capital requirement. By the end of 1999, the GOB increased the capital adequacy ratio from 10 to 12 percent.

J. POLITICAL VIOLENCE

There have been no incidents in recent years involving politically motivated damage to projects or installations. Rather, violence in Bulgaria is primarily criminally motivated.

However, in January 1997 a political demonstration in front of Parliament briefly got out of control and part of the crowd broke into the building. Largely peaceful strikes and street blockades in subsequent weeks led the Bulgarian Socialist Party to voluntarily relinquish power to a caretaker government while new elections took place.

K. CORRUPTION

Bulgaria has laws, regulations, and penalties against corruption, including a 1996 Law for Measures against Money Laundering. Bulgaria was one of the first non-OECD nations to ratify the OECD Anti-Bribery Convention. In June, Parliament amended the Penal Code to implement some provisions of the Convention and is considering further amendments to bring Bulgaria into full compliance. Bulgaria has also ratified the Convention on Laundering, Search, Seizure and Confiscation of Proceeds of Crime and the Civil Convention on Corruption. Under the Stability Pact Anti-Corruption Initiative, Bulgaria has committed to: sign, ratify and implement the Council of Europe Criminal Law Convention on Corruption; apply the Twenty Guiding Principles for the fight against corruption by the Committee of Ministers of the Council of Europe; and implement the forty recommendations of the Financial Action Task Force on Money Laundering (FATF).

Bribery is a criminal act under Bulgarian law for both the giver and the receiver. Penalties range from one to fifteen years imprisonment, depending on the circumstances of the case, with confiscation of property added in more serious cases. In very grave cases, the Penal Code specifies prison terms of 10 to 30 years. The 1996 Money Laundering Law also applies to bribes. Bribing a foreign official is a criminal act. There have been trials and convictions of enterprise managers, prosecutors and law enforcement officials for corruption. While Bulgarian tax legislation does not explicitly disallow the deduction of bribes in the computation of domestic taxes, deductions connected with bribery and other illegal activities are not permitted.

Although the Bulgarian government has achieved some successes in the fight against organized crime and corruption, many observers believe that corruption and political influence in business decisionmaking continue to be significant problems in Bulgaria’s investment climate. The problems range from the demand for petty bribes for government licenses and permits to nontransparent privatizations of major state enterprises.
However, recent business surveys indicate that foreign investors consider bureaucratic impediments to be a considerably larger problem than corruption.

L. BILATERAL INVESTMENT AGREEMENTS

As of June 2000, Bulgaria has investment promotion and protection treaties/agreements with: Albania, Argentina, Armenia, Austria, Belarus, Belgium, China, Croatia, Cyprus, Denmark, Finland, France, Georgia, Germany, Greece, Hungary, India, Israel, Italy, Kuwait, Lebanon, Macedonia, Malta, Moldova, Morocco, Netherlands, Poland, Romania, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, Uzbekistan, Vietnam, United Kingdom, United States, Yugoslavia.

Bulgaria signed a Bilateral Investment Treaty (BIT) which guarantees national treatment for U.S. investments and creates a dispute settlement process. The BIT also includes a side letter on protections for intellectual property rights.

M. OPIC AND OTHER INVESTMENT INSURANCE

In 1991, the Overseas Private Investment Corporation (OPIC) and the Government of Bulgaria signed an Investment Incentive Agreement, which governs OPIC’s operations in Bulgaria. OPIC provides project financing and political risk insurance to U.S. investors making long term investments in emerging markets. OPIC also supports a number of privately owned and managed private equity funds, including a new regional fund for Southeast Europe created as part of the U.S. Southeast Europe Initiative.

OPIC provides project financing through direct loans and loan guaranties that provide medium- to long-term financing to ventures involving significant equity and/or management participation by U.S. businesses.

OPIC offers American investors insurance against currency inconvertibility, expropriation and political violence. OPIC began offering currency inconvertibility coverage in January 1999. During the introductory period, the amount of currency inconvertibility coverage available is limited. OPIC also has specialized insurance programs for financial institutions, leasing arrangements, oil and gas projects, natural resource projects and contractors and exporters projects undertaken by U.S. investors in Bulgaria. Political risk insurance is also available from the Multilateral Investment Guarantee Agency (MIGA), which is a World Bank affiliate, as well as from a number of private U.S. companies.

In the event of an inconvertibility claim made by an OPIC insured investor, OPIC may elect to accept Bulgarian currency to be made available to the U.S. Embassy in Bulgaria. The U.S. Embassy and other U.S. institutions could use up to $3.4 million annually. The Embassy purchases Bulgarian levs at the current market rate. The Currency Board Arrangement fixes the Bulgarian lev to the euro, excluding the possibility of depreciation. A devaluation of the exchange rate over the next year is extremely unlikely.

N. LABOR

Bulgaria’s working-age population consists of around 4.8 million highly educated and skilled men (52 percent) and women (48 percent). The literacy rate in Bulgaria is 93 percent. A high percentage of the workforce has completed some form of secondary, technical, or vocational education. Many Bulgarians have strong backgrounds in engineering, medicine, economics and the sciences, but there is a shortage of professionals with Western management skills. The aptitude of workers and the relative low cost of labor are considerable incentives for foreign companies, especially those which are labor intensive, to invest in Bulgaria. Employer tax obligations and benefits (clothing allowance, bonuses, etc.) can add more than 50 percent to the nominal wage.

Bulgaria’s 1991 Constitution (Article 49) recognizes workers’ right to join trade unions and organize. In theory, the National Tripartite Cooperation Council (NTCC) provides a forum for dialogue among government, management, and trade unions such as cost-of-living adjustments. The current Labor Minister has attempted to revitalize the Council.

Bulgaria has two large trade union confederations, the Confederation of Independent Trade Unions of Bulgaria (CITUB) and Podkrepa (“Support”). CITUB, the successor to the trade union integrated with the former Communist Party, has long since severed its ties to the socialists, whereas Podkrepa is an independent confederation. There are few restrictions on trade union activity and the confederations operate freely, but the workforce in smaller firms and elsewhere in the emerging private sector is often not represented by trade unions.

Under the 1993 Labor Code, employer and employee relations are regulated by employment contracts which may be agreed upon through collective bargaining. The Code extends what some complain are excessive protections for workers. For instance, maternity and post-natal child care requirements dictate that employers hold positions for nearly three years while the employee continues to receive payments from the social security fund. The Code also addresses worker occupational safety and health issues, establishes a minimum wage (determined by the Council of Ministers) and prevents exploitation of workers, including child labor. The Code clearly delineates employer rights, strengthening management's hand in disciplining the workforce. Unresolved disputes between labor and management can be referred to the courts, but resolution is often subject to delays. Parliament is currently considering draft amendments to the Labor Code.

Neither foreign companies nor Bulgarian companies having majority foreign-control are exempt from the requirements of the Labor Code. Articles 29 - 32 of the Foreign Investment Law covers employment relations and social security contributions for Bulgarian and foreign employees.

The Embassy is unaware of significant violations on the part of the Bulgarian Government with respect to ILO Conventions protecting worker rights.

O. FOREIGN TRADE ZONES/FREE PORTS

The Duty Free Trade Zones (FTZs) were established in Bulgaria in 1987 under Decree No. 2242 "On the Duty Free Zones and its Regulations for Application." The Law on Customs, effective January 1999, renamed the six duty-free zones "free zones." The law specifies that the free zones must have access control at fixed entrance and exit points. New construction within the free zones is to be undertaken in conformity with the customs authorities.

Foreign, including U.S., individuals and corporations, and Bulgarian companies with 1 percent or more foreign ownership may set up operations in a free zone. Thus foreign-owned firms have equal or better investment opportunity in the zones as compared to Bulgarian firms.

There are at present six operational "free zones" in Bulgaria: Ruse and Vidin ports on the Danube, Plovdiv, Svilengrad (near the Turkish border), Dragoman (near the Yugoslav border), and Burgas port on the Black Sea. All of them are owned by joint stock or state-owned companies. The government provided land and infrastructure for each zone.

Plovdiv, the only inland free zone, is the most profitable, with 24 investment projects. The Burgas FTZ has the largest warehousing and automotive distribution facilities in Bulgaria, and is used by more than 100 foreign and joint venture companies including Samsung and Daewoo. Limited manufacturing is conducted in both the Plovdiv and Ruse FTZs.

All forms of production and trade activities and services may take place in the free zones. Foreign goods delivered to the free zones with purpose of production, storage, processing or re-export are VAT and duty exempt. Bulgarian goods may also be stored in free zones with permission from the customs authorities. Convertible foreign currency may be used, and revenues can be transferred abroad freely without any restrictions. Administrative procedures relieve the investor's need to contact local authorities directly. Production and labor costs are low with well-trained and highly qualified labor available. All the zones are located on strategic trade rail, road and/or water trade routes.

The free trade zones in Bulgaria have attracted a number of foreign investors to undertake processing and trade activities – Hyundai Co., Daewoo Co., KIA Motors, CITCO, Schawartskopf, Henkel, Landmark Chemicals Ltd., Group Schneider, BINDL Energic Systeme GmbH.

P. FOREIGN DIRECT INVESTMENT

Between 1992 and 1999, foreign direct investment (FDI) into Bulgaria amounted to approximately $2.778 billion (about 22 percent of 1999 GDP). FDI inflows in 1999 are estimated at $755.3 million (about 6.1 percent of GDP). Bulgaria's direct investment abroad was about $5 million in 1999.

Table 1
FDI by Year (in USD millions)

1992	34.4
1993	102.4
1994	210.9
1995	162.6
1996	256.4
1997	636.2
1998	620.0
1999	755.3
Total	2778.2

Source: Foreign Investment Agency

Table 2
FDI by Country of Origin 1992-1999 (USD millions)

Germany	426
Belgium	373
Cyprus	249
United States	198
Netherlands	166
U.K.	158
Russia	154
Austria	125
Spain	110
Turkey	105
Switzerland	89
Greece	87

France	83
Korea	50
Luxembourg	40
Italy	34
Bahamas	33
Ireland	28
Israel	16
Hungary	15
Sweden	11
Malta	10
Liechtenstein	6
Japan	4.9
Czech	4.7
Denmark	4.1

Source: Foreign Investment Agency

Table 3
FDI by Sector 1992-1999 (USD millions)

Industry	1506
Trade	543
Finance	323
Tourism	143
Transport	74
Telecommunications	52
Construction	26
Agriculture	8

Source: Foreign Investment Agency

Table 4
U.S. Investment of Greater than $1 million in Bulgaria as of 12/31/99
(INVESTOR, BULGARIAN Firm, USD Amount)

American Standard, Ideal Standard, Vidima AD, 63,335,780
Alico, Bulgarian Post Bank, 38,000,000
Seaboard Overseas, Vinprom Ruse, 21,300,000
McDonald's, McDonald's Bulgaria, 21,092,000
World Trade Company, Sofia Hotel, 12,134,000
Kraft Foods International, KJS-Bulgaria, 12,052,000
Hilton International, Company for Luxurious Hotels, 10,458,000
Bulgarian American Enterprise Fund, Festinvest/ Bulgarian American Credit Bank/Storks 5,668,561
DTS, Superabraziv, 5,307,248
Interinvestments Corp., Buhal, 5,000,000

Eurotech, Pirinska Moura, 4,845,851
Caresbac, Caresbac Bulgaria, 2,757,723
Lovanda International Ltd. Delaware, Duni Hotel, 2,700,000
AIG Group Inc, AIG Bulgaria, 2,499,750
Dunkin Donuts, Samex, 1,700,000
Kontrako, Ilinden, 1,587,582
Eagle, Original, 1,479,170
Parman Capital Investments International, International Bank for Investment and Development, 1,443,526
American Life Insurance, AIG Life Bulgaria, 1,249,875

Source: Foreign Investment Agency

Table 5
Selected 1999 Foreign Direct Investments
(Investor, Country, Sector, Bulgarian Firm, USD Amount)

LUKOIL, RUSSIA, oil industry, NEFTOCHIM OIL REFINERY, 101,000,000

METRO CASH & CARRY, GERMANY, retail trade, METRO CASH & CARRY BULGARIA, 77,712,000

OMV, AUSTRIA, gas retail, PETROL, 26,000,000

YUKOS PETROLEUM, CYPRUS, gas retail, PETROL, 26,000,000

CEMENTS FRANCAIS, FRANCE, cement, VULKAN EAD, 18,811,000

BOYAR INTERNATIONAL LTD, UK, wine, DOMEIN BOYAR, 13,894,000

BALAKANPHARMA / DEUTSCHE BANK – LONDON, UK, pharmaceutical, DUPNITSA, 11,000,000

PLEVCEM LTD, CYPRUS, cement, PLEVENSKI CEMENT, 8,600,000

BALAKANPHARMA / DEUTSCHE BANK – LONDON, UK, pharmaceutical, TROYA PHARMA, 7,350,000

BALAKANPHARMA / DEUTSCHE BANK – LONDON, UK, pharmaceutical, ANTIBIOTIC, 5,650,000

SOUTHWISE TRADING, CYPRUS, retail, TSUM, 6,722,000

HEIDELBERGER CEMENT, GERMANY, cement, ZLATNA PANEGA, 5,685,000

Source: Foreign Investment Agency

VIII. TRADE AND PROJECT FINANCING

A. Description of the Banking System

Bulgaria is a cash economy. However, automatic teller machines have been introduced by several banks. Development of services for consumers, such as debit cards, started several years ago, while personal checks are almost unknown and unused as a method of payment for locals. Checks and credit cards are used mainly by foreigners. A number of banks have started issuing debit cards which are currently used primarily to withdraw money from ATMs and not so much for payment.

There are 35 registered banks in Bulgaria. Twenty six are fully licensed and authorized to engage in international transactions; one is licensed for activity in Bulgaria only; eight are branches of foreign banks in Bulgaria. Citibank (United States) has a branch office in Bulgaria, while the Bulgarian-American Credit Bank, owned 99.99 percent by the Bulgarian-American Enterprise Fund, has been fully licensed since December 30, 1998.

The largest Bulgarian banks in terms of assets are Bulbank, 2 billion levs ($910 million), State Savings Bank, 975 million levs ($443 million) and United Bulgarian Bank, 879 million levs ($399 million).

The government's shares which were managed by the Bank Consolidation Company (BCC) in the state-owned Expressbank were sold to Societe General (France) and the shares in the state-owned Hebrosbank to Regent Pacific Group (UK). The BCC has signed a contract to sell the largest state-owned Bulbank to a consortium between Unicredito (Italy) and Allianz (Germany) by November 2000. The remaining banks to be privatized are Biochim bank and the State Savings Bank.

After the severe financial crisis which Bulgaria experienced in 1996, BNB closed 19 of the weakest banks. Eleven banks are in bankruptcy proceedings, two banks are under liquidation and six banks have been sold. The central bank has exceeded the Basel requirements, mandating a 12 percent capital adequacy ratio, and also requires minimum capitalization of 10 million levs (approximately $5.4 million).

B. Foreign Exchange Controls Affecting Trade

International financial remittances in payment of imports into Bulgaria are generally allowed. The export of hard currency by commercial entities, including juridical persons and sole traders, is permitted only by bank transfer. Transfers for current international payments (imports of goods and services, transportation, interest and principal payments, insurance, training, medical treatment and other purposes defined in Bulgarian regulations) must be supported by documentation such as invoices, certificates, or transport documents, to the transferring bank.

Transfers are currently governed by the Law on Transactions in Foreign Valuables and Currency Control (1996), Regulations on the Export and Import of Foreign Exchange Valuables (1996), and Decree Number 138 of July 5, 1999 amending the foreign exchange regime (1997). Bulgarian and foreign citizens may take BGN 5,000 or an equivalent amount of foreign currency out of the country without declaration. Regulations allow foreign currency of up to BGN 20,000 to be exported upon written declaration. Above BGN 20,000 transfers must have prior approval of the Bulgarian National Bank (BNB). Investments abroad by Bulgarian companies or individuals must by approved in advance by the BNB and the Finance Ministry. Foreigners are permitted to export without prior approval as much currency as they have declared upon import into Bulgaria.

C. General Availability of Financing

Commercial financing is now becoming available in Bulgarian levs at rates up to 18 percent per annum. However, local banks are still very cautious in lending money to either private or state-owned enterprises. With the overall stabilization of the economy and the banking sector, bankers will likely increase lending in the near future.

D.   Availability of GSM Credit Guarantees

GSM credit guarantees are not available for Bulgaria.

E. Availability of Loan Guarantees, Insurance, and Project Financing

Depending on the source of financing, trade and investment projects receiving financing support range from the export of nuclear reactor control equipment to the establishment of a bakery, a yogurt factory, and an ice-cream distributorship. Financing is also available to strengthen banks, and for infrastructure projects such as reconstruction of electrical generating stations, waterworks and roads. Again, depending on the source of financing, projects can range from $10,000 to more than 100 million dollars.

1. U.S.-based Availability

a. U.S. Export-Import Bank

The U.S. Export-Import Bank (Eximbank) is still a limited source of export financing and insurance for U.S. transactions in Bulgaria. For exports to Bulgarian state-owned entities, EXIM will “cover” or guarantee a commercial bank loan up to 85 percent of the value of the contract. Eximbank’s cover policy currently requires a sovereign government guarantee. EXIM will also accept a guarantee from Sofia Municipality. It is open for projects of short or medium term (project value over $10 million with a maximum repayment term of 5-7 years). Eximbank must be able to determine the borrower’s creditworthiness through the analysis of financial statements (an audited annual report). Eximbank does not yet provide credit guarantees or insurance for routine contracts with private companies in Bulgaria. The first Eximbank involvement in Bulgaria is the $77 million credit line for processing and monitoring control equipment at the nuclear power plant for Kozloduy Nuclear Power Plants Units 5 and 6.

b. Small Business Administration

The Small Business Administration (SBA) provides financial and business development assistance to encourage and help small U.S. companies in developing export markets. Export loans are available under SBA's guarantee program.

c. Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government agency that promotes growth in developing countries and transition economies by encouraging U.S. private investment. OPIC's key programs are its loan guarantees, direct loans, and political risk insurance. OPIC also offers an Eastern European Growth Fund, designed to match OPIC funds with private venture capital to finance new business; the Small Business Loan Guarantee Program; the Bancroft Fund, and an environmental investment fund. So far OPIC has agreed to provide guarantees for the $200 million project for the modernization and rehabilitation of Maritsa East III thermal power plant with the participation of Entergy and the Bulgarian National Electric Company. In 2000, OPIC established the Southeast Europe Equity Fund, together with George Soros. The headquarters of the Fund are in Sofia.

d. The U.S. Trade and Development Agency

The Trade and Development Agency (TDA) is an independent U.S. Government agency that promotes U.S. exports for major development projects. TDA funds feasibility studies, consulting contracts, training programs, and other project planning services related to U.S. exports. Contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers at the project implementation stage. TDA has been active in Bulgaria with projects in energy, environment, transport, air traffic control, and telecommunications.

e. The Bulgarian-American Enterprise Fund

The Bulgarian-American Enterprise Fund (BAEF) is a $55 million bilateral assistance fund funded by the U.S. Congress to promote the development of the Bulgarian private sector and to promote joint ventures between small and medium-sized Bulgarian firms and Western companies. The Fund's programs include loans, grants, equity investments, feasibility studies, investment funds and technical assistance to companies in Bulgaria. BAEF has an office in Sofia.

f. The Bulgarian-American Credit Bank (BACB)

The Bulgarian - American Credit Bank, fully owned by BAEF, extends investment credits for equipment or facilities which are typically over $200,000 with a five year term. BACB also provides mortgage loans to individuals for the purchase of homes and consumer credit. These loans range from $10,000 to $100,000 and are for a 10-year term. BACB has an office in Sofia.

g. Small Enterprise Assistance Funds/CARESBAC

Small Enterprise Assistance Funds (SEAF/CARESBAC) is an investment company that takes equity positions from 25 percent to 49 percent in small and medium-sized private companies. SEAF/CARESBAC is interested in investment in companies that have growth potential in all industrial sectors. Typical investments are between $50,000 and $250,000. SEAF/CARESBAC's shareholders include the EBRD, the U.S. Agency for International Development (USAID), and the U.S. Department of Agriculture (USDA). SEAF also administers the Transbalkan Fund, which has participation from the U.S. Agency for International Development.

2. Financing from International Financial Institutions

Financing of U.S. investment projects in Bulgaria is available from the EBRD, World Bank, Overseas Private Investment Corporation (OPIC), and several other U.S.-based and other organizations. Participation of a multilateral bank such as the EBRD in a project also assists exporters through the requirement of open competitive tendering procedures which enables U.S. suppliers to bid, as well as helps the procuring entity to get the best value for its money.

a. European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD), whose largest shareholder is the U.S. Government, has a number of programs available to U.S. investors. The Bank makes loans as well as takes equity stakes in infrastructure projects. It will be increasingly focusing on private-sector development in Bulgaria. It also mandates open competitive tenders in procurements, which give U.S. companies opportunities to supply goods and services. The EBRD has an office in Sofia. The EBRD has also started an investment fund that will invest in small- and medium-sized businesses in the Balkan region. A list of EBRD projects in Bulgaria with detailed descriptions can be found in the National Trade Data Bank as an International Market Insight (IMI) prepared by the Commercial Service's EBRD Liaison Office in London.

b. International Bank for Reconstruction & Development
(World Bank)

While the International Bank for Reconstruction & Development (World Bank) does not give loans for private-sector investments, its procurement procedures enable U.S. exporters to bid on public procurement contracts. To date, approved projects are in the energy, telecommunications, residential heating, railways, health, environmental and public administration sectors. The World Bank has an office in Sofia.

c. European Investment Bank

The European Investment Bank (EIB) is the most important source of EU project financing for U.S. companies, as they can participate in most tenders involving EIB loans of its own resources. Trans-European Network (TEN) energy, telecommunications and transport sectors are priorities for the EIB. Loans for Bulgaria include ECU 60 for construction of a new passenger terminal and apron at Sofia Airport.

d. Global Finance SA

Global Finance is a Greek venture capital firm which manages the Euromerchant Balkan Fund (EBF). Capitalized at $27.3 million, both the EBRD and the World Bank's International Finance Corporation (IFC) have contributed funds. EBF is permitted to invest from $500,000 to $4 million for up to 10 years in any single project and assumes a minority position (less than 50 percent). EBF may give preference to projects in food production, consumer goods, retailing, construction materials, home furnishing, packaging, software, product distribution, and financial services. Global Finance has an office in Sofia.

e. Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) is part of the World Bank Group. Its purpose is to encourage foreign investment in developing countries by providing investment guarantees (political risk insurance) against the risk of currency transfer, expropriation, war, civil disturbance and breach of contract by the host government.

f. PHARE Program/ISPA

The European Union's PHARE Program delivers financial and technical assistance in key sectors of the beneficiary governments' efforts to restructure their economies toward a market-oriented system, and contributes to creating the administrative, regulatory, financial and commercial framework. The European ISPA funds are grants to help bring Bulgaria's infrastructure up to European levels as part of the European Union accession process. Some American companies may qualify for PHARE- and ISPA-funded contracts if they have subsidiaries in Europe that qualify as European companies pursuant to EU definitions.

F. How to Finance Exports/Methods of Payment

Trade finance options for Bulgarian importers are limited. In most instances, Bulgarian companies assume the full financial burden in purchasing goods. Some companies use Letters of Credit (LCs). In trying to make sales in Bulgaria, U.S. companies may have to develop creative payment schemes, which may increase the risk of the transactions. To offset that risk, it is necessary to develop a strong client relationship.

There are a number of methods used to settle payment in Bulgaria: cash in advance, letter of credit used in conjunction with a documentary draft (time or sight), promissory note, documentary collection or draft, open account and consignment sales. As with U.S. domestic transactions, a major factor determining the method of payment is the degree of trust in the buyer's ability and willingness to pay.

Because of the protection it offers to the American exporter and the Bulgarian importer, an irrevocable letter of credit (L/C) payable at sight is commonly used for settlement of international payments.

Another payment option is the use of documentary collection or open account with international credit insurance which, unlike the letter of credit, allows the importer's line of credit to remain open. At the same time, this option protects the exporter if the buyer goes bankrupt or cannot pay.

G. Banks with Correspondent U.S. Banking Arrangements

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank http://

www.bnb.bg website. Some Bulgarian banks may have 100 or more U.S. correspondent banks, and some U.S. banks may have correspondent relations with more than one Bulgarian bank. As banking relationships can change quickly, the best source of current information on correspondent banking arrangements is the banks themselves.

H. U.S. Financial/Lending Institutions In-Country

A list of all U.S. financial and lending institutions in Bulgaria may be found in Chapter 11. The main institutions include Citibank, Bulgarian-American Enterprise Fund, Bulgarian-American Credit Bank, Caresbac, and AIG/American Life Insurance Company.

I. International Financial Institutions In-Country

As noted above, the EBRD and the World Bank have offices in Bulgaria. Contact information for the international financial institutions in Bulgaria may be found in Chapter 11.

IX. BUSINESS TRAVEL

A. Business Customs

Bulgarians are less formal than Western Europeans from dress to the manner of their business contacts. Meetings, including lunches or dinners, are used as an opportunity to get acquainted and as a basis for developing a relationship of trust. Companies use stand-up evening receptions at hotels, restaurants, trade shows, and even museums and auto showrooms for public relations and to solidify business relationships. Businesspeople may go without a jacket or tie or wear casual clothes in summer.

One charming but confusing custom is that head movements indicating agreement or disagreement are reversed in Bulgaria. The rocking of the head from left-to-right, often with a slight smile, means “yes” while nodding up-and-down indicates “no.” But with foreign language fluency growing, some Bulgarians will use head movements in typical western fashion. Therefore, it is best to clarify the situation by obtaining a verbal response.

B. Travel Advisory and Visas

American passport-holders may enter Bulgaria for up to thirty days without a visa or entry fee. A short-term visa for business or tourism obtained before arrival allows a ninety-day stay. The former requirements of statistical cards that must be stamped each day by the traveler’s hotel, and registration with the police, have been abolished. Resident businesspeople need to apply for a residence permit, valid up to one year, after arrival in Bulgaria. For further information concerning entry requirements, travelers should contact the Embassy of the Republic of Bulgaria at 1621 22nd Street NW, Washington, DC 20008, phone: (202) 483-5885 (main switchboard (202) 387-7969) or the Bulgarian consulate in New York City.

Travelers should carry their passport with them at all times. Travelers are subject to arbitrary document checks by the police, and persons traveling without proper identification may be detained while their right to be in the country is verified.

Taxi drivers at Sofia airport often refuse to run their meters and charge arbitrary fees. Visitors should expect to pay $15-$20 for this ride, although much more expensive than the meter rate. Travelers who pre-negotiate a fare can avoid the more outrageous overcharging. An alternative is to call ahead for a taxi or use the city bus from the airport. Because incidents of pilferage of checked baggage at Sofia airport are common, travelers should not include items of value in checked luggage.

Petty street crime, much of which is directed against foreigners, and auto theft, continue to be problems. Pickpocket and purse snatching attacks on the street or in public conveyances are frequent occurrences, as is theft from automobiles, where thieves smash windows to remove valuables left in sight. While violent crimes against persons are generally low throughout Bulgaria, visitors should exercise caution when approached by strangers or before walking in unfamiliar neighborhoods. American citizens who intend to stay in the country more than two weeks are strongly recommended to register with the Embassy.

Visitors should exchange cash or travelers checks at banks or exchange bureaus. Some exchange bureaus charge commissions on both cash and travelers check transactions which may be high or not clearly posted. Major hotels accept credit cards, but most shops and restaurants do not. ATM cash machines are increasing in numbers in Sofia and other major cities, but bank cards, debit cards and credit cards should be used with caution due to the potential for fraud or other criminal activity.

Although Bulgarian physicians are trained to a very high standard, most hospitals and clinics are generally not equipped and maintained at U.S. or West European standards. Basic medical supplies are widely available, but specialized treatment may not be obtainable. Visitors must pay cash for medical and health services. While there are no vaccinations or special health warnings at this time, travelers should check with their physicians or the State Department for the latest advisory.

The State Department consular information sheet for Bulgaria can be found at:

http://travel.state.gov/bulgaria.html

Other Department of State travel information publications are also available at the above website. Travelers may hear recorded information by calling the Department at (202) 647-5225 from a touch tone telephone, or receive information by automated fax by dialing (202) 647-3000.

C. Holidays

Bulgaria will celebrate the following holidays in 2001:

January 1	New Year’s Day
March 3	National Liberation Day
April 16	Orthodox Easter Monday

May 1	Labor Day
May 6	Day of Valor and the Bulgarian Army
May 24	Saints Cyril and Methodius Day
September 6	Unification Day
September 22	Independence Day
December 24	Christmas Eve
December 25, 26	Christmas

D. Work Week

Bulgarians work a 40-hour week with businesses open from about 8:30 - 9:00 a.m. Monday through Friday. During the summer months, scheduling meetings late on Fridays may be difficult as workers tend to leave early for weekend getaways. As in the rest of Europe, business activity grinds to a near halt during the latter part of July and most of August when many Bulgarians take their extended summer holidays.

E. Business Infrastructure

Sofia is served by major European airlines including Air France, Alitalia, Austrian Air, British Airways, Czech Airlines, Lauda Air, LOT, Lufthansa, MALEV, Olympic, Swissair, and Turkish Airlines. Balkan Bulgarian Airlines, the national carrier, provides service to many European and Middle Eastern capitals. Balkan Airlines also offers domestic service between Sofia and Varna and Burgas. Hemus Air flies to short-range domestic and regional destinations. Destinations to other parts of the country may be reached by car, bus or train. Car rental from Hertz, Avis and National is also available.

Sofia has a comprehensive bus, tram and trolley system. Tickets cost BGN 0.30 and can be purchased in newspaper kiosks or special ticket stands. Large baggage also needs a ticket. Daily, five-day, and monthly cards are also available. Passengers are on the “honor system” and expected to validate their own tickets after boarding. Occasionally, plainclothes inspectors make spot checks, imposing BGN 3.00 fines on those traveling without tickets. Sofia’s subway reaches from the suburb of Lyulin to the western edge of the center city, but it is of yet of little use to the business traveler.

Taxis are more than affordable — most destinations around the center of the city can be reached for little more than $1. Slightly higher rates apply at night. It is advisable to call ahead to a reputable taxi company for radio dispatch for personal security as well as to avoid overcharges.

The majority of hotels in Bulgaria are at the 2- and 3-star level. In Sofia, there are two 5-star hotels: Sheraton Sofia Hotel Balkan and the Kempinski Hotel Zografski. The Grand Hotel Sofia will reopen as a member of the Radisson chain in November 2000. Other hotels include the recently built Ambassador Hotel and Castle Hrankov Hotel (both 15 minutes from the city-center) and the Park Hotel Moskva. The Maria Luiza and Gloria Palace are two other good hotels centrally located. The Pliska and Grand Hotel Bulgaria are lower in price but vary substantially from the top tier hotels in terms of services, comfort and quality. The Princess Hotel (formerly Novotel) is currently under new management and renovation. A Hilton is nearing completion of construction.

BTC has installed much of central Sofia with digitally-switched telephone lines allowing direct-dial international calls to the rest of Europe and the United States from hotels, offices and residences. AT&T, MCI and Sprint all have access numbers in Bulgaria for credit card and collect calls. In some parts of the country, telephoning can be difficult, as many rural areas still have only old analog switches.

Food in Bulgaria is abundant and delicious. There are many good restaurants in the larger cities and a growing number of very attractive small private restaurants and hotels in the villages. Recently Chinese restaurants have proliferated in Sofia. It is possible to have a good meal for well under $15.

Bulgarian is a Slavic language that uses the Cyrillic alphabet. In business, the usage of English is increasing. Nearly all Bulgarians have some level of Russian language comprehension. German and French are also widely spoken.

F. Temporary Entry of Business Equipment and Materials

Personal items brought in temporarily by travelers such as laptop computers, software, and exhibition materials should be declared upon arrival. The declaration form should be presented to Customs upon departure.

Upon entry into and departure from Bulgaria foreign nationals must make a written declaration of negotiable instruments, precious metals in excess of the normal amount for personal and family use, and currency of BGN 5,000 or the foreign currency equivalent.

G. Commercial Service Contact Information and Guidance

Business travelers to Bulgaria seeking appointment with U.S. Embassy Sofia officials should contact the Commercial Section in advance of departure from the United States. The Commercial Section can be reached by telephone at (359) (2) 963-4062; fax at (359) (2) 980-6850; or e-mail at sofia.office.box@mail.doc.gov. Detailed information on Commercial Service Sofia's services and programs is available at http://www.usatrade.gov/bulgaria.

X. ECONOMIC AND TRADE STATISTICS

Table 1
Domestic Economy

	1998	1999	2000
GDP (millions of U.S. dollars)	12,257	12,392	14,167
Real GDP growth rate (percent)	3.5	2.4	4.5
GDP per capita	1,484	1,510	1,753
Government Spending (percent of GDP)	37.9	41.2	38

Inflation (percent)	1.0	6.2	6
Unemployment (percent)	12.2	16	13.5
Foreign Exchange Reserves (millions of U.S. dollars)	2,904	3,412	N/A
Average Exchange Rate for $1.00	1.760	1.838	1.800
Debt service ration (ratio of principal and interest on foreign debt to GDP)	9.7	8.0	6.2
U.S. economic/military assistance	41.2	66.6	

Sources: National Statistical Institute
Bulgarian National Bank

Note: Statistics for 2000 are GOB projections.

Table 2
Trade

(millions of U.S. dollars)

		1998	1999	2000
Total country exports 1)		4,194	3,967	4,453
Total country imports 1)		4,574	5,031	5,353
Exports to United States 2)		219	200	62
Imports from United States 2)	115	103	44	

Sources:

Bulgarian National Bank, U.S. Census Bureau

Note: 1) Statistics for 2000 are GOB projections.
2) Statistics for 2000 are for January through April.

XI. U.S. AND COUNTRY CONTACTS

1. U.S. Government Contacts

U.S. Embassy - Sofia
Ambassador: Richard M. Miles
Deputy Chief of Mission: Roderick W. Moore
1, Saborna Street
1000 Sofia
Phone: (359)(2) 980-5241
Fax: (359)(2) 989-2200
Website: http://www.usis.bg

All mail from the United States to the respective sections of the U.S. Embassy in Sofia should be addressed to:

U.S. Embassy Sofia
Department of State
5740 Sofia Place
Washington, DC 20521-5740

All packages, courier deliveries and other mail should be sent to:

U.S. Embassy Sofia
1, Saborna Street
1000 Sofia

The following are contact information and office locations for important sections of the U.S. Embassy in Sofia:

U.S. Commercial Service Sofia
Commercial Attaché: Richard S. Kanter
Senior Commercial Specialist: Uliana Kanelli
Commercial Specialist: Tsvetanka Kolarova
Commercial Specialist: Georgi Peev
Commercial Assistant: Emily Taneva
NDK Administrative Building - 5th Floor
1, Bulgaria Square
1414 Sofia
Phone: (359)(2) 963-4062, 963-2014
Fax: (359)(2) 980-6850
E-mail: sofia.office.box@mail.doc.gov
Website: http://www.usatrade.gov/bulgaria

Foreign Agricultural Service
Agricultural Attaché: Holly Higgins
Agricultural Specialist: Mila Boshnakova
NDK Administrative Building - 5th Floor
1, Bulgaria Square
1414 Sofia
Phone: (359)(2) 951-5561, 963-1247, 951-5587
Fax: (359)(2) 981-6568
E-mail: agsofia@fas.usda.gov
Website: http://www.fas.usda.gov

Department of State
Political-Economic Counselor: John Winant
Economic Officer: Aldo Sirotic
1, Saborna Street

1000 Sofia
Phone: (359)(2) 980-5241
Fax: (359)(2) 981-8977

U.S. Agency For International Development (USAID)
AID Representative: Debra McFarland
Chief, Private Enterprise Office: William Foerderer
Project Development Officer: Ivanka Tsankova
NDK Administrative Building - 5th Floor
1, Bulgaria Square
1414 Sofia
Phone: (359)(2) 951-5670; 951-5381
Fax: (359)(2) 951-5070

U.S. Information Service
Public Affairs Officer: Michael Seidenstricker
18, Vitosha Street
1000 Sofia
Phone: (359)(2) 980-4838, 980-3667
Fax: (359)(2) 980-3646
E-mail: usis@library.usis.bg
Website: http://www.usis.bg

2. U.S. Government Offices in Southeast Europe

The Overseas Private Investment Corporation (OPIC)
John F. Moran, Director, Business Development
U.S. Embassy Zagreb
Andrije Hebranga 11/2
10000 Zagreb, Croatia
Phone: (385)(1) 461-0777
Fax: (385)(1) 455-3126
E-mail: jmora@opic.gov
Website: http://www.opic.gov

U.S. Trade and Development Agency
Jeannette K. Miller, Director, Business Development for Southeast Europe
U.S. Embassy Zagreb
Andrije Hebranga 11/2
10000 Zagreb, Croatia
Phone: (385)(1) 461-0777
Fax: (385)(1) 455-3126
E-mail: jeannette.miller@attglobal.net
Website: http://www.tda.gov

U.S. Commercial Service Zagreb, Croatia

Commercial Attaché: Patrick Hughes
U.S. Embassy Zagreb
Andrije Hebranga 11/2
10000 Zagreb, Croatia
Phone: (385)(1) 461-0777
Fax: (385)(1) 455-3126
E-mail: Patrick.Hughes@mail.doc.gov

U.S. Commercial Service Thessaloniki, Greece
Commercial Attaché: Jeremy Keller
91 Vasilissis Sophias Avenue
101 60 Athens, Greece
Phone: (30)(31) 242-905
Fax: (30)(31) 242-924
E-mail: Jeremy.Keller@mail.doc.gov

2. U.S.-based U.S. Government Agencies

Trade Information Center (TIC)
Phone: (800) USA-TRADE
Fax: (202) 482-4443

U.S. Department of Commerce, Market Access and Compliance
Jonathan Kimball
Office of Bulgaria, Room 3319
Washington, DC
Phone: (202) 482-4915
Fax: (202) 482-4505
E-mail: jonathan_kimball@ita.doc.gov

U.S. Department of Commerce, Central and East European Business Information Center (CEEBIC)
Jennifer Gothard
Washington, DC
Phone: (202) 482-2645
Fax: (202) 482-3898
E-mail: jennifer_gothard@ita.doc.gov

Export-Import Bank of the United States
Margaret Kostic, Director - Southeast Europe Initiative
Structured & Trade Finance Division
811 Vermont Ave. N.W.
Washington, DC 20571
E-mail: margaret.kostic@exim.gov
Website: http://www.exim.gov

The Overseas Private Investment Corporation (OPIC)

Ms. Barbara Brereton, Manager
CEE Investment Promotion- OPIC
1100 New York Avenue, NW
Washington, DC 20572
Phone: (202) 336-8617
Fax: (202) 408-5145

Program Information:
Phone: (202) 336-9700
Fax: (202) 408-5155
Website: http://www.opic.gov

U.S. Trade and Development Agency
Paul Marin, Project Analyst
SA-16, Rm. 309
Washington, D.C. 20523-1602
Phone: (703) 875-4357
Fax: (703) 875-4009
E-mail: pmarin@tda.gov
Website: http://www.tda.gov

U.S. Department of State
Bulgaria Desk Officer: Alvin Rutledge
Office of South Central European Affairs
Phone: (202) 647-0310
Fax: (202) 647-0555

Office of the Coordinator for Business Affairs
Phone: (202) 746-1625
Fax: (202) 647-3953

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Phone: (202) 720-7420

Small Business Administration
Mr. D. Grant MacKinnon, Office of International Trade
409 3rd Street, SW
Washington, DC 20416
Phone: (202) 205-6720
Fax: (202) 205-7272

3. American Chamber of Commerce

American Chamber of Commerce in Bulgaria
President: Philip Bay

Executive Director: Filip Filipov
19, Patriarch Evtimii Blvd.
Floor 5, Apt. 10
1000 Sofia
Phone: (359)(2) 981-5950, 981-4340
Fax: (359)(2) 980-4206
E-mail: amcham@amcham.bg
Website: http://www.amcham.bg

4. Bulgarian Trade and Industry Associations

Bulgarian Chamber of Commerce and Industry
President: Mr. Bozhidar Bozhinov
42, Parchevich St.
1000 Sofia
Phone: (359)(2) 987-3629; 987-2631/35
Fax: (359)(2) 987-32-09
U.S. Desk Officer: Ms. Mariana Stefanova
E-mail: bccihead@main.infotel.bg
Website: http://www.bcci.bg

Bulgarian International Business Association
Office Manger: Ms. Ludmila Antonova
36A, Patriarch Evtimii Blvd.
1000 Sofia
Phone: (359 2) 981-9564, 981-9169
Fax: (359 2) 800-263
E-mail: biba@mobikom.com
Website: http://www.bol.bg/biba

Bulgarian Industrial Association
Chairman: Mr. Bozhidar Danev
Director, International: Branimir Handjiev
16-20, Alabin Street
1000 Sofia
Phone: (359)(2) 987-0991; 987-2604
Fax: (359)(2) 987-2604
E-mail: branimir@bia-bg.com
Website: http://www.bia-bg.com

Bulgarian Building and Construction Chamber
Mr. Ivan Stoyanov, Chief of Secretariat
23, Chumerna St.
1202 Sofia
Phone: (359)(2) 988-6861; 988-63-92, 988-6393
Fax: (359)(2) 988-6860
E-mail: bbcc@bnc.bg

Bulgaria Builders Association
Mr. Severin Popov, Manager
6 Sveta Nedelya Sq.
1000 Sofia
Phone: (359)(2) 88-3169
Fax: (359)(2) 876-8647

Bulgarian Association of Information Technology
Mr. Vasil Hristovich, Chairman
7A, Graf Ignatiev St.
1000 Sofia
Phone: (359)(2) 980-4377
Fax: (359) (2) 987-3655

Bulgarian Franchising Association
Mrs. Lyubka Kolarova, Director
6, Tsar Simeon St., Entr. II, Ap. 12
9000 Varna
Phone/Fax: (359)(52) 600-724

5. Bulgarian Government Agencies

Ministry of Agriculture, Forestry and Agrarian Reform
Minister: Mr. Ventsislav Vurbanov
55, Khristo Botev Boulevard
1000 Sofia
Phone: (359)(2) 980-7873
Fax: (359)(2) 981-7955

Ministry of Culture
Minister: Ms. Emma Moskova
17, Alexander Stamboliiski Street
1000 Sofia
Phone: (359)(2) 86-111
Fax: (359)(2) 981-8145

Ministry of Defense
Minister: Mr. Boyko Noev
1, Aksakov Street
1000 Sofia
Phone: (359)(2) 54-6001
Fax: (359)(2) 987-9693
E-mail: mod-deo@bulnet.bg

Ministry of Environment and Water
Minister: Ms. Evdokia Maneva

67, William Gladstone Street
1000 Sofia
Phone: (359)(2) 847-2200
Fax: (359)(2) 981-1186

Ministry of Finance
Minister: Mr. Muravey Radev
102, Rakovsky Street
1000 Sofia
Phone: (359)(2) 87-0622
Fax: (359)(2) 980-6863; 87-1102

Ministry of Health
Minister: Dr. Ilko Semerdjiev
2, Sveta Nedelia Square
1000 Sofia
Phone: (359)(2) 8631
Fax: (359)(2) 80-0031

Ministry of Economy
Minister: Mr. Petur Zhotev (also Deputy Prime Minister)
8, Slavianska Street
1000 Sofia
Phone: (359)(2) 980-2430
Fax: (359)(2) 980-5106
Website: http://www.minind.online.bg

Ministry of Interior
Minister: Mr. Emanuil Yordanov
29, Shesti Septemvri Street
1000 Sofia
Phone: (359)(2) 987-7511
Fax: (359)(2) 987-7967

Ministry of Regional and Urban Development
Minister: Mr. Evgeni Chachev
Mr. Todor Vachkov, Deputy Minister
Ms. Vania Zegova, Deputy Minister
Mr. Vasil Garnizov, Deputy Minister and Director General of the National Center for Regional Development and Housing Policy
17-19, Kiril and Metodius Street
1000 Sofia
Phone: (359)(2) 83841
Fax: (359)(2) 987-2517
17-19, Kiril and Metodius Street
1000 Sofia

Ministry of Transport and Communications

Minister: Mr. Antoni Slavinski
9, Vasil Levski Street
1000 Sofia
Phone: (359)(2) 949-2834
Fax: (359)(2) 980-3893
E-mail: aslavinski@mtc.government.bg

Deputy Minister (aviation): Mr. Apik Garabedian,
9, Vasil Levski Street
1000 Sofia
Phone: (359)(2) 871-079, 843-4304, 7932-3113
Fax: (359)(2) 988-5094
E-mail: AGarabedian@mt.govern.bg

Deputy Minister (ground transport): Mr. Petko Tabakov
9/11, Vasil Levski Street
1000 Sofia
Phone: (359)(2) 871-081; 881-230; 884-141; 873-757;
882-670; 871-079; 843-4304
Fax: (359)(2) 988-5094
E-mail: PTabakov@mt.govern.bg

“Roads” Executive Agency

General Director: Mr. Dimitur Koevski
3, Macedonia Blvd.
1606 Sofia
Phone: (359)(2) 52-17-68
Fax: (359)(2) 951-5422

Foreign Investment Agency

President: Mr. Georgi Tabakov
3, Sveta Sofia Street
1000 Sofia
Phone: (359)(2) 980-0918
Fax: (359)(2) 980-1320
E-mail: vassilev@bfia.org
Website: http://www.bfia.org

Privatisation Agency

Mr. Zakhari Zhelyazkov, Executive Director
29, Aksakov Street
1000 Sofia
Phone: (359)(2) 987-7579; 861-3240
Fax: (359)(2) 981-1307
E-mail: bgpriv@online.bg
Website: http://www.privatisation.online.bg

State Agency on Energy and Energy Resources
President: Mr. Ivan Shiliashki
8, Triaditza Street
1000 Sofia
Phone: (359)(2) 988-5932
Fax: (359)(2) 81-5029

State Telecommunications Commission
Mr. Ivan Taushanov Chairman
6, Gurko St.
1000 Sofia
Phone: (359)(2) 949-2335
Fax: (359)(2) 987-0695

Mr. Petur Popov, Director, Standardization
6, Gurko St.
1000 Sofia
Phone: (359)(2) 949-2575
Fax: (359)(2) 987-0695

Bulgarian Agency for Standardization and Metrology
Chairman: Mr. Zonyo Botev
21, Shesti Septemvri Street
1000 Sofia
Phone: (359)(2) 988 5043/ 980 8920
Fax: (359)(2) 986-1707

General Customs Directorate
Director: Mr. Plamen Minev
1, Aksakov Street
1000 Sofia
Phone: (359)(2) 869222/98 591
Fax: (359)(2) 980-6897

Patent and Trademark Office
Director: Mr. Mircho Mirchev
52-B G. M. Dimitrov Street
1000 Sofia
Phone: (359)(2) 711-3302
Fax: (359)(2) 70-8325

6. Major State Enterprises

Bulgarian National Bank
Governor: Mr. Svetoslav Gavriiski
1, Battenberg Sq.

1000 Sofia
Phone: (359)(2) 85-51
Fax: (359)(2) 980-2425

Bulgarian State Railroad
Director: Mr. Vladimir Dunchev
3, Ivan Vazov Street
1000 Sofia
Phone: (359)(2) 981-1110
Fax: (359)(2) 987-7151

Bulgarian Telecommunications Company
Executive Member of the Board of Directors: Mr. Ivan Spasov
8, General Totleben Street
1000 Sofia
Phone: (359)(2) 949-4438
Fax: (359)(2) 951-5355
Website: http://www.btc.bg

National Electric Company
Chairman: Mr. Milcho Golemehov
5, Veslets Street
1040 Sofia
Phone: (359)(2) 54-90; 980-1659
Fax: (359)(2) 87-5826

Bulgargas
Chief Executive Director: Mr. Kiril Gegov
66, Filipovsko Shosse, Ljulin -2
PO Box 3
1336 Sofia
Phone: (359)(2) 925-0401; (359) (2) 259-074
Fax: (359)(2) 984-25313

7. U.S.-Based Financial Institutions in Bulgaria

Bulgarian American Enterprise Fund
Mr. Frank Bauer, President
333 West Wacker Dr., Suite 2080
Chicago, Illinois
Phone: (312) 629-2500

Mr. Thomas Higgins
Managing Director
3, Shipka Street
Sofia 1504, Bulgaria
Phone: (359)(2) 943-3077, 946-1656

Fax: (359)(2) 946-01-18
E-mail: thiggins@baefinvest.com
Website: http://www.baefinvest.com

CARESBAC - Bulgaria AD
Ms. Zhulieta Hubenova, Director General
45, Oborishte Street, Floor 1
1000 Sofia
Phone/Fax: (359)(2) 943-4417, 943-4163
E-mail: caresbac@bg400.bg

Citibank N.A. - Sofia Branch
Plamen S. Iltchev, Country Representative
2, Maria Luisa Blvd.
TSUM Business Center
1000 Sofia
Phone: (359)(2) 946-01-18
Fax: (359)(2) 917-5100

8. International Financial Institutions

European Bank for Reconstruction and Development
Mr. Jean-Marc Peterschmitt, Senior Banker
Sofia Resident Office
17, Moskovska Street
1000 Sofia
Phone: (359)(2) 987-6611
Fax: (359)(2) 981-5336

European Investment Bank
Mr. Max Messner
European Investment Bank
100, Boulevard Konrad Adenauer
L-2950 Luxembourg
Phone: (352) 4379-3150
Fax: (325) 4379-3189

Multilateral Investment Guarantee Agency
1818 H Street, N.W.
Washington, D.C. 20433
Phone: (202) 473-8058
Fax: (202) 522-2630

PHARE Program
Mr. Egidio Canciani, Representative
World Trade Center
36, Dragan Tsankov Street

1040 Sofia
Phone: (359)(2) 97-33-240 or 97-33-857
Fax: (359)(2) 97-33-872

World Bank
Mr. Thomas O'Brien, Resident Representative
Ms. Elaine W. Patterson, Senior Project Officer
36, Dragan Tsankov Street
World Trade Center
1040 Sofia
Phone: (359)(2) 973-3220, 973-3219
Fax: (359)(2) 971-20-45
E-mail: epatterson@worldbank.org

9. Bulgarian Banks

a. Bulgarian Banks

Biochim, Sofia
BNP-Dresdnerbank, Sofia
Bulbank, Sofia
Bulgaria-Invest Bank, Sofia
Bulgarian-American Credit Bank Ltd., Sofia
International Commercial Bank, Bulgaria, Sofia
Bulgarian Post Bank, Sofia
BRIBank
Central and Cooperative Bank, Sofia
Corporate Commercial Bank PLC, Sofia
Demirbank (Bulgaria), Sofia
DSK Bank PLC
Eurobank, Sofia
Expressbank, Varna
First Investment Bank, Sofia
First East International Bank, Sofia
Hebrosbank, Plovdiv
International Bank of Trade and Development, Sofia
Municipality Bank, Sofia
Neftinvestbank, Sofia
Encouragement Bank, Sofia
Raiffeisenbank (Bulgaria), Sofia
Roseximbank, Sofia
Teximbank, Sofia
Unionbank, Sofia
United Bulgarian Bank, Sofia

Contact information for all Bulgarian banks may be found on the Bulgarian National Bank http://

www.bnb.bg website.

b. Commercial Banks with Domestic and Limited License:

Tokuda Credit Express Bank, Sofia

c. Branches of Foreign Banks in Bulgaria:

Citibank N.A. - Sofia Branch
HypoVereinsBank Bulgaria - Sofia Branch
ING N.V. - Sofia Branch
Ionian and National Bank of Greece S.A. - Sofia Branch
National Bank of Greece - Sofia Branch
Societe General - Sofia Branch
T.C. Ziraat Bankasi - Sofia Branch
Xiosbank S.A. - Sofia Branch
Demirbank
Zirat Bank

10. Business Service Providers in Bulgaria

a. Accounting, Auditing and Consulting Firms

Arthur Andersen
Mr. Boris Genovski
1 Bulgaria Square
NDK Main Building, Floor 4
1463 Sofia
Phone: (359) (2) 546-181; (359) (2) 963-1012
Fax: (359) (2) 980-1669
E-mail: boris.genovski@arthurandersen.com

Deloitte & Touche
Mr. Vasko Raichev
9, Fritioff Nansen Blvd.
1000 Sofia
Phone: (359) (2) 98000-8500
Fax: (359) (2) 980-00436
E-mail: Vasko.Raichev@deloitte.bg

Ernst & Young AFA
Ms. Reni Yordanova
46, Alabin Street
1000 Sofia
Phone: (359) (2) 986-0943; (359) (2) 981-9338
Fax: (359) (2) 980-0426
E-mail: EYBulg@mobitel.bg

KPMG Bulgaria
Mr. William Drysdale
13, Slavyanska Street
1000 Sofia
Phone: (359) (2) 980-5325
Fax: (359) (2) 980-0458
E-mail: consult@nat.bg

Price Waterhouse Coopers
Mr. James Gaston
2, Serdica Street
1000 Sofia
Phone: (359) (2) 980-8884
Fax: (359) (2) 980-0404
E-mail: pwc.bulgaria@bg.pwcglobal.com

Institute of Transport and Communications
General Director: Mr. Khristo Chakarov
44, Parchevich Street
P.O. Box 1479
1000 Sofia
Phone/ Fax: (359) (2) 986-7704; (359) (2) 986-7721
E-mail: itc@bcci.bg, kvn@bulnet.bg

b. Advertising and Public Relations Companies

M3 Advertising Ltd.
Mr. Maxim Behar
34, Vladaiska Street
1606 Sofia
Phone: (359)(2) 951-6775
Fax: (359)(2) 540 636
E-mail: max@mbox.cit.bg

ATL – 50 Todor Kostadinov Company
Mr. Todor Kostadinov
P.O. Box 121
18 Khristo Smirnenski Blvd.
1000 Sofia
Phone: (359)(2) 650-598; (359)(2) 650-479
Fax: (359)(2) 659 146

c. Law firms

Arsov-Natchev-Ganeva Law Office
4A Benkovski Street

1000 Sofia
Phone: (359)(2) 986-4365; (359)(2) 986-6703
Fax: (359)(2) 986-6223
E-mail: marsov@techno-link.com

Mr. Petur Bozhkov – Attorney at Law
1 Verila Street
1463 Sofia
Phone: (359)(2) 515-579; (359)(2) 512-371
Fax: (359)(2) 543-330
Mobile: (359)(48) 932-736

Dr. Emil Benatov & Partners
Bl. 36B Liuliakova Gradina Street
1113 Sofia
Phone: (359)(2) 973-3610; (359)(2) 971-2799
Fax: (359)(2) 973-3603
E-mail: benatov@datacom.bg

Mr. Valery Borisov, Attorney at Law
14-16 Buntovnik Street
1407 Sofia
Phone: (359)(2) 656-711
Fax: (359)(2) 65-1300
Telex: 22411

Borislav Boyanov & Co.
Mr. Borislav Boyanov
24 Patriarch Evtimii Blvd.
1000 Sofia
Phone: (359) (2) 981-3007; (359)(2) 981-3103
Fax: (359) (2) 981-7733
Mobile: (359) (88) 510-025
E-mail: ibboyanov@exco.net

Braykov's Legal Office
Mr. Valentin Braykov
Dimitar Manov Street, Block 15, Floor 12, Apt. 43
1408 Sofia
Phone: (359)(2) 54-3077; (359) (2) 951-6040
Fax : (359) (2) 954-93-25
Mobile: (359) (88) 511-881
E-mail: braykov@ibm.net

Chernev, Komitova, Kalaydzhiev & Partners
51, Parensov Street
1000 Sofia

Phone: (359) (2) 980-2733; (359) (2) 980-1504
Fax: (359) (2) 980-2733
E-mail: ckp@online.bg

Dardov, Raykovski & Associates
11 Lavele Street
3rd Floor, Apartment 9
1000 Sofia
Phone: (359) (2) 89-8921; (359) (2)987-5577
Fax : (359) (2) 981-56-86
E-mail: jdarsof@mail.bol.bg

Dzhingov, Guginski, Kyutchukov & Velichkov
Mr. Asen Dzhingov
10, Tsar Osvoboditel Blvd.
1000 Sofia
Phone : (359) (2) 980-1358
Fax : (359) (2) 871-82; (359) (2) 980-3586
E-mail: dgkv@dgkv.com

Donev & Cholakov, Noblex Ltd.
Mr. Svetoslav Donev
1, Rilska St.
8000 Burgas
Phone: (359) (56) 84-3745; 84-3756
Fax: (359) (56) 84-0124
E-mail: noblex@digicom.bo
Website: http://www.digicom.bg/business/noblex

Mr. Stefan Chernokolev
13 Dunav Street
1000 Sofia
Phone: (359) (2) 980-1628, (359) (2) 519-905
Fax: (359) (2) 964-4868
E-mail: emil@bulnet.bg

Modus Law Firm
Mr. Emil Chervenobrezhki
13 Lozenska Planina Street
1421 Sofia
Phone: (359) (2) 963-3122, (359) (2) 980-3648
Fax: (359) (2) 981-1296
E-mail: concord@datacom.bg

Goleminov & Goleminov
Mr. Chudomir C. Goleminov
36-A Alexandur von Humboldt Street

1113 Sofia
Phone : (359) (2) 989-5212
Fax : (359) (2)70-6203
Mobile: (359) (88) 701-971
E-mail: goleminov@mail.techno-link.com

Lega Interconsult, Penkov-Markov & Partners Law Offices
Mr. Vladimir Penkov, Attorney at Law
Iztok District, Block 22
1113 Sofia
Phone : (359) (2) 73-2936; (359) (2) 73-6133; (359) (2) 73-7930
Fax: (359) (2) 72-2452
E-mail: lega@bg400.bg

Niesar Diamond & Todorova Law Offices
Ms. Pavlina Todorova, Attorney at Law
1, Jury Venelin Street
1000 Sofia
Phone/Fax: (359) (2) 980-4136
Phone: (359) (2) 981-0765
Mobile: (359) (88) 527-337
E-mail: Pavlina@mbox.cit.bg

Mr. Rumen Raykovsky
11 Lavele Street, Floor 3, Suite 9
1000 Sofia
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Fax: (359) (2) 981-568
Mobile:(359) (88) 629-631
E-mail: rraysof@mail.bol.bg

Seplex Consulting Co.
Mr. Sergei Penev
8, Sveta Sofia Street
1000 Sofia
Phone: (359) (2) 880-935
Fax: (359) (2) 988-80-36

Stoyanov Mitov Tanev
Attorneys & Legal Advisors
Mr. Ventsislav Tanev
Mr. Ivan Mitov
Mr. Georgi Stoyanov
82, Dondukov Boulevard
DAGA P.H., floor 5
1504 Sofia
Phone/Fax: 359-2-943 4786; 756 335

Phone: 359-2-88 702 072; 388 072
E-mail: smtlegal@bulgarvoice.com
Website: http://smtlegal.bulgarvoice.com

V.O.R.I.
Mr. Vladimir Cheytanov
55, Knjaz Boris I Street
1000 Sofia
Phone: (359) (2) 987-7696
E-mail: vcheytanov@mb.bia-bg.com

d. Printing and Publishing Firms

Independent Information Agency LTD. NKIA
Ms. Jeana Herrera
1 Bulgaria Sq. National Palace of Culture, Entr. A3
1414 Sofia
Phone: (359)(2) 9166-3102
Fax: (359)(2) 657-497
E-mail: JeanaH98@yahoo.com
E-mail: iia@online.bg

P&R Partners Ltd
Mr. Petur Vulkov
31A, Cherni Vrakh Boulevard
1000 Sofia
Phone: (359)(2) 658-310
Fax: (359)(2) 667-662
E-mail: pr_partners@hotmail.com

f. Real Estate Firms

Aristo Real Estate Advisors
Mr. Tikhomir Tsakov
22, 6-th September Street
1000 Sofia
Phone: (359)(2) 911-44
Fax: (359)(2) 981-3371
E-mail: aristo@sf.icn.bg

City–M Leasing Ltd.
Mr. Anton Uzunov
5, Rilski Ezera Street, Apartment 2
1407 Sofia
Phone: (359)(2) 629-108,
Fax: (359)(2) 624-087

Continental Properties
Mr. Philip Bay
7A, Aksakov Street, 4th Fl.
1000 Sofia
Phone: (359)(2) 981-2313, (359)(2) 981-3959
Fax: (359)(2) 986-7664
E-mail: tscontinental@mbox.cit.bg

Construction-Investment Company “Sofia Estates”
Mr. Trifon Trifonov
60, Vassil Levski Street
1000 Sofia
Phone: (359)(2) 981-5085, (359)(2) 981-5084
Fax: (359)(2) 981-5086
E-mail: sofia-estate@yahoo.com

g. Trade Show and Conference Organizers

CIM – Company for International Meetings
Ms. Rumyana Kaneva
18, Christo Belchev Street
1000 Sofia
Phone: (359)(2) 981-0918; (359)(2) 980-8961
Fax: (359)(2) 981-9919; (359)(2) 9800-6074
E-mail: cim@einet.bg

VIA EXPO
Ms. Maya Krusteva, Office Manager
3, Anton Chehov square
4003 Plovdiv
Phone/Fax: (359)(32) 96-00-12
E-mail: via-expo@mbox.digsys.bg

h. Other Service Providers

Institute for Strategic Investigations
Mr. Boris Mikhaylov
40, Alabin Street
1000 Sofia
Phone: (359)(2) 9888-212; (359)(2) 807-711
Fax: (359)(2) 9808-144
E-mail: al-dim@main.infotel.bg

BBSS Gallup International
Mr. Kancho Stoychev
12, Gurko Street
1000 Sofia

Phone: (359)(2) 980-5254; (359)(2) 986-3143
Fax: (359)(2) 986-3594
E-mail: gallup@aster.net

Snelling Personnel Services
Ms. Maria Shishkova
199, Rakovski Street
1000 Sofia
Phone: (359)(2) 963-3585; (359)(2) 963-3595
Fax: (359)(2) 963-3575
E-mail: snelling@snelling.bg

10. Additional Bulgarian Business Publications

Infobusiness
(published in English)
Bulgarian Chamber of Commerce and Industry
42, Parchevich St.
1040 Sofia
Phone: (359) (2) 987-7479
Fax: (359) (2) 987-3209
E-mail: bcci.bcci.bg
Website: http://www.bcci.bg

Bulgarian Foreign Trade
(published in English)
P.O. Box 21
1418 Sofia
Phone: (359) (2) 87-2034
Fax: (359) (2) 981-9548
E-mail: ftp-bg@bgnet.bg

Sofia Western News
16 Batenberg St.
1000 Sofia
Phone: (359) (2) 81-5698
Fax: (359) (2) 81-4329
E-mail: iconltd@mobikom.com
Website: http://www.mobikom.com/sofia_westnews

11. Online Versions of Bulgarian Publications

http://www.bta-bg.net Bulgarian Telegraph Agency

http://www-us.capital.bg/bp_digest/ Bulgarian Press Digest http://www.pari.bg Pari newspaper

http://www.capital.bg Capital newspaper

http://www.online.bg/banker Banker newspaper

http://www.standartnews.com Standart newspaper

http://www.zone168.com Monitor newspaper

http://cash.internet_bg.net/ Cash newspaper

http://www.online.bg/sofiaecho The Sofia Echo weekly newspaper in English

http://www.mobikom.com/sofia_westnews/Business/business.htm The Sofia Western News monthly magazine in English

http://www.bcemag.com Business Central Europe

12. Important Websites about Bulgaria

http://www.mac.doc.gov/eebic/countryr/bulgaria.htm CEEBIC Homepage for Bulgaria

http://www.usis.bg/index.html U.S. Embassy Sofia website

http://www.e-expousa.doc.gov E-Expo USA Homepage

http://www.sce.doc.gov Showcase Europe Homepage

http://cscentraleurope.org Commercial Service Offices in Central and Eastern Europe

http://www.govrn.bg/bg/index.html Government of the Republic of Bulgaria

http://www.nsi.bg National Statistical Institute

http://www.bulgaria-embassy.org Bulgarian Embassy in Washington, DC

http://www.amcham.bg The American Chamber of Commerce in Bulgaria

http://www.bcci.bg Bulgarian Chamber of Commerce and Industry (BCCI)

http://www.bia-bg.com Bulgarian Industrial Association

http://www.bic.bia-bg.com BIC Capital Market including and database of more than 8,000 Bulgarian companies http://www.travel-bulgaria.com information about travel to Bulgaria

http://www.dir.bg information on business and the economy, cities and regions, health care, computers and Internet, art, science and education, legal issues, news and media, services, sport, travel and tourism

http://www.bulgaria.com information on business, services, travel, government, history, arts

http://www.online.bg information on Bulgarian business, politics, news and media, Sofia's stock exchange

http://www.bfia.org information on investment, business guide, business law, privatization, capital market, infrastructure projects and tenders from the Bulgarian Foreign Investment Agency

http://www.investdb.net information on investment openings in Southeast Europe from the Bulgarian Foreign Investment Agency and the Bulgaria Economic Forum

http://www.b-info.com collection of news about Bulgaria from the national and regional periodicals, radio and TV stations

http://www.ngo.bg non-governmental organizations in Bulgaria

http://www.belloweb.se/sa Bulgarian-English Online Dictionary

http://www.news.bg news about politics, economy, society

http://www.bulgaria.com/welkya/cyrillic/keyboard.html phonetic Bulgarian Cyrillic keyboard driver

http://src-home.slav.hokudai.ac.jp/eng/cee/bulg-e.html information about Bulgaria

http://www.omda.bg/engl/common/bg_servers.htm Information links about Bulgaria

XII. MARKET RESEARCH

A. U.S. Department of Commerce Market Research

Commercial Service Sofia's market research reports can be found on the CEEBIC website:

http://www.mac.doc/gov/eebic/countryr/bulgaria/market.htm

and also the National Trade Data Bank (NTDB):

http://www.stat-usa.gov

which are both updated as soon as market research reports are received electronically from Commercial Service Sofia.

1. Currently Available International Market Insight and Industry Sector Analysis Reports

Sector(s)	Topic	Date
INV, ACE, FNS	Bulgaria Investment Forum	9/98
FNS	Traveler's Check Acceptance	9/98
APS	Automotive	9/98
ACE, BLD, POL	Sofia Waterworks Reconstruction	12/98
APG, AIR, ACE	Aviation Market	12/98
POL, WRE, MCS	Water System Projects	2/99
CPT	Computer Hardware Market	3/99
CSF	Computer Software Market	3/99
MUS, AUV, CEL	Music Exhibition in Bulgaria	3/99
CPT, CSF, TEL	American Tech Exhibition Opportunity	3/99
TRA	Tourism Infrastructure	4/99
OGM	Gas Pipeline Fittings	5/99
CPT, CSF, TEL	American Tech Exhibition Report	5/99
BUS, CPT, ELC LAB, MTL, PCI, PKG, PVC, ROB, TEL, USD	Plovdiv International Technical Fair	5/99
FRA	Franchising	7/99
CSV	Internet Services	7/99
ZSV	Travel Conditions - Consular Report	7/99
CSV	Internet Software	7/99
APS	Automotive Parts and Service Equipment	8/99
ELP	Power Transmission Project	11/99
ZEC	Fact Sheet on the Economy	12/99
OGM	Gas Distribution Restructuring	12/99
BLD	U.S. Pavilion in STROIKO 2000 Show	1/00
CPT, CSF, TEL	American Tech Exhibition Opportunity	1/00
APS	Autotec 2000 Catalog Show	1/00
CPT	Computer Hardware Market	2/00
CSF	Computer Software Market	2/00
CPT	Supply/Installation & Support of Information Systems	6/00
GSV, TES	Top Services Sector in Bulgaria	6/00
AIR,APG,AVS, TRN	Hemus Air to be Privatized	6/00
CPT	Supply, Installation of Computerized Printing Systems	6/00
APS	Automotive Parts and Equipment	7/00
CSF, CSV	Southeast Europe Conference on E-commerce	8/00
BUS, CPT, ELC LAB, MTL, PCI, PKG, PVC, ROB, TEL, USD	Plovdiv International Technical Fair	8/00
GSV	Postal Services Liberalization	8/00
POL	Solid Waste Management	8/00

CPT	Computers and Peripherals	8/00
ACE, WRE	Varna and Shoumen Regional Water and Waste Water Companies	8/00
APG	Airport and Ground Equipment	9/00
BLD	Building Products	9/00
TES	E-Commerce Market	9/00
TES	Southeast Europe Conference on E-Commerce	9/00
ELP	Energy Forum 2000 Announcement	9/00
ZRG	Foreign Ownership of Buildings-Procedural Simplification	9/00
SPT	Golf Reaches Bulgaria	9/00
AIR,APG,AVS, TRN	Hemus Air Opens for Privatization	9/00
TES	Second Private National Radio Network License	9/00
ZEC	Southeast Europe Economic Forum 2000	8/00
TEL	Tender for Second GSM License	8/00
INS	Privatization of the State Insurance Institute	9/00

2. Upcoming Industry Sector Analysis Titles

Sector	Title	Author
TES	Value-added Telecommunications Services	Tsvetanka Kolarova
CPT	Computer Software	Tsvetanka Kolarova
AGM	Agricultural Equipment	Uliana Kanelli
APS	Automotive Tools and Service Equipment	Uliana Kanelli
BLD	New Building Technologies	Georgi Peev
TEL	Telecommunications Equipment	Tsvetanka Kolarova
ELP	Independent Power Production	Emily Taneva

Note: A complete list of market research reports is available on the National Trade Data Bank.

B. Agricultural Trade and Market Reports

The following reports are market briefs produced by the Foreign Agricultural Service in Sofia:

1999

NUMBER	SUBJECT
BU9001	MINISTER OF AGRICULTURE BANS MEAT/POULTRY PRODUCTS
BU9002	GRAIN AND FEED UPDATE JANUARY
BU9003	OILSEEDS UPDATE JANUARY
BU9004	QUARTERLY ACCOMPLISHMENT
BU9005	MINISTER REPEALS THE BAN
BU9006	BAD PRESS AGAINST US POULTRY
BU9007	NEW LABELING IMPORT REQUIREMENT

BU9008	FOREST PRODUCTS ANNUAL
BU9009	NEW TRADE REGIME
BU9010	GRAIN AND FEED UPDATE FEBRUARY
BU9011	OILSEEDS UPDATE FEBRUARY
BU9012	BULGARIAN LAND REFORM
BU9013	TRADE POLICY MONTORING
BU9014	GRAIN AND FEED UPDATE MARCH
BU9015	OILSEEDS UPDATE MARCH
BU9016	SUGAR ANNUAL
BU9017	CHICKEN PRODUCT INCREASED TARIFF
BU9018	OILSEEDS ANNUAL
BU9019	GRAIN AND FEED UPDATE APRIL
BU9020	TOBACCO ANNUAL
BU9021	QUARTERLY ACCOMPLISHMENT REPORT
BU9022	GRAIN AND FEED MAY
BU9023	OILSEEDS UPDATE MAY
BU9024	GRAIN AND FEED JUNE
BU9025	OILSEEDS UPDATE JUNE
BU9026	PLANTING SEEDS ANNUAL
BU9027	LIVESTOCK ANNUAL
BU9028	GRAIN AND FEED ANNUAL
BU9029	POULTRY ANNUAL
BU9030	OILSEEDS UPDATE JULY
BU9031	OILSEEDS UPDATE AUGUST
BU9032	GRAIN AND FEED UPDATE AUGUST
BU9033	APPLES ANNUAL
BU9034	GRAIN AND FEED UPDATE SEP
BU9035	OILSEEDS UPDATE SEP
BU9036	GRAIN AND FEED OCTOBER
BU9037	OILSEEDS UPDATE OCTOBER
BU9038	PLANTING SEEDS MARKET
BU9039	QUARTERLY REPORT
BU9040	UNIFIED EXPORT STRATEGY
BU9041	RICE MARKET
BU9042	WHEAT SITUATION

2000

NUMBER	SUBJECT
BU0001	WHEAT SITUATION
BU0002	QUARTERLY PLANNING
BU0003	RICE SITUATION
BU0004	PET FOOD MARKET
BU0005	GRAIN AND FEED MARKET IN BU
BU0006	WHEAT SITUATION IN S/E BALKANS
BU0007	WHEAT SITUATION IN KOSOVO
BU0008	POULTRY
BU0009	TRADE POLICY MONITORING

Additional market research reports are available from the Foreign Agricultural Service's website: http://www.fas.usda.gov.

XIII. TRADE EVENT SCHEDULE

The following are trade events that Commercial Service Sofia will organize or participate in as part of the official Commercial Service Trade Events Calendar, or otherwise support, through September 30, 2001. Events that will be supported although not currently on the official calendar are marked +. International Buyers Program events are marked * and other buyers missions to the United States are marked **.

Dates	Event Name	Location
9/25-29/00	U.S. Pavilion International Technical Fair	Plovdiv +
10/19-21/00	NAHB Remodelers Show	Philadelphia **
10/24-26/00	Second South Eastern European Conference on e-Commerce	Sofia +
11/12-14/00	American Association of Airport Executives Conference	Budapest
February/01	Balkan Franchising Exhibition	Sofia +
2/9-12/01	International Builders Show	Atlanta *
3/22-28/01	CeBit	Hannover
3/21-27/01	STROIKO	Sofia
4/23-27/01	American Tech	Sofia +
6/15-22/01	Paris Air Show	Paris

The most significant trade events held annually in Bulgaria for U.S. companies are American Tech in April and the autumn Plovdiv International Technical Fair (capital goods). There are a number of other events including shows in the high-tech, automotive, medical, industrial, and tourism sectors.

A detailed list of other Bulgarian trade shows may be found on the CEEBIC website at http://www.mac.doc.gov/eebic/upevents/calen.html. Another source of information on trade shows in Bulgaria is the Bulgarian Chamber of Commerce and Industry, which publishes an annual Calendar of the Fairs and Exhibitions in Bulgaria. The BCCI's website is http://www.bcci.bg.

U.S. firms should consult also the Export Promotion Calendar on the Commercial Service website, http://www.usatrade.gov, the National Trade Data Bank, or contact Commercial Service Sofia for the latest information on participation on these and other trade shows for the Bulgarian market.

In addition, Commercial Service Sofia can provide individualized business meetings in Bulgaria through the Gold Key Service, and counsel new-to-market companies on how to do their own company promotions in Bulgaria. Further information is available on Commercial Service Sofia's website http://www.usatrade.gov/bulgaria.